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GENERAL FARM BILL OF 1985
(Peanut Program)

HEARINGS

BEFORE THE

SUBCOMMITTEE ON TOBACCO AND PEANUTS

OF THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

FIRST SESSION

MARCH 25, 1985, ANADARKO, OK
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[1] Effective only for the first session of the Ninety-ninth Congress.

CONTENTS

MARCH 25, 1985, ANADARKO, OK

Page
English, Hon. Glenn, a Representative in Congress from the State of Oklahoma, opening statement 1
Hopkins, Hon. Larry J., a Representative in Congress from the State of Kentucky, opening statement 2
Rose, Hon. Charles, a Representative in Congress from the State of North Carolina, opening statement 1

WITNESSES

Coffey, Vincent, peanut farmer, Prague, OK 31
Coppedge, Jack W., peanut farmer, Holdenville, OK 32
Farmer, David L., peanut farmer, Fort Cobb, OK 26
Gray, Jerry, peanut farmer, Lookeba, OK 24
Johnson, Laverne, president, Oklahoma Peanut Growers Association 3
Keeton, Dee, peanut farmer, Kingston, OK 7
Prepared statement 51
King, Floyd L., farmer, Hydro, OK 45
Marlett, Doyle D., general manager, Caddo Electric Cooperative 9
Price, Glen, vice president, agriculture division, Anadarko Bank & Trust Co., Anadarko, OK 36
Rickets, Arthur, peanut farmer, Marietta, OK 34
Salyer, Willie, Anadarko Farm Center, Caddo County, OK 14
Schamburg, Fred J., executive vice president, Bank of Hydro, Hydro, OK 16
Scott, Grady L., president, Chickasha Production Credit Association, presented by Keith Handke, vice president 19
Shinn, Terry, peanut farmer, Carnegie, OK 27
Smith, Carroll A., peanut farmer, Lookeba, OK 24
Prepared statement 58
Smith, Sam D., owner, farm supply and peanut buying facility, Prague, OK 11
Vance, Loyd E., peanut farmer, Carnegie, OK 5
Wilson, Joe, peanut farmer, Durant, OK 29

SUBMITTED MATERIAL

Busking, Larry E., manager, Caddo Equipment Co., Inc., statement 62
Kenedy, Gerald, manager, Farmers Union Co-op Gin, Eakly, OK, letter 63
Lochridge, John, vice president, Southwestern Peanut Shellers Association, statement 65

APRIL 2, 1985

de la Garza, Hon. E (Kika), a Representative in Congress from the State of Texas, remarks of 73
Jones, Hon. Walter B., a Representative in Congress from the State of North Carolina, statement 75
Rose, Hon. Charles, a Representative in Congress from the State of North Carolina, opening statement 67

WITNESSES

Bain, Billy, president, Peanut Growers Cooperative Marketing Association 160
Baker, Wayne, president, New Mexico Peanut Growers Association 158

Page
Bateman, Merrill J., president, MJB Consultants, Inc ... 100
  Prepared statement ... 176
Bowen, Ross, past president, Southern Peanut Warehouseman Association ... 162
Curry, Jimmy, secretary-treasurer, Georgia Peanut Producers Association ... 145
Dickinson, Hon. William L., a Representative in Congress from the State of Alabama ... 73
  Prepared statement ... 172
Ferguson, C. Wade, peanut farmer and businessman, Emporia, VA ... 122
  Prepared statement ... 198
Fuqua, Hon. Don, a Representative in Congress from the State of Florida ... 124
  Prepared statement ... 201
Gamble, Wilbur T., interim chairman, Georgia Agricultural Commodity Commission for Peanuts ... 125
  Prepared statement ... 204
Goldberg, Richard W., Deputy Under Secretary, International Affairs and Commodity Programs, U.S. Department of Agriculture ... 79
Irvin, Thomas T., commissioner, Georgia Department of Agriculture ... 75
  Prepared statement ... 174
Jackson, J.O., president, Western Peanut Growers Association ... 151
Johnson, Laverne, president, Oklahoma Peanut Growers Association ... 149
Mobley, James Earl, chairman, Steering Committee, National Peanut Growers Group ... 111
  Prepared statement ... 189
Nash, Robert L., president, Georgia Farm Bureau Federation, and member, board of directors, American Farm Bureau Federation ... 109
  Prepared statement ... 187
O'Connell, Richard T., president, National Confectioners Association of the United States and Chocolate Manufacturers Association of the U.S.A ... 128
Palmer, Martin, president, Palmer Candy Co ... 130
Phillips, A.L., Jr., Virginia president, American Agriculture Movement, Inc ... 164
  Prepared statement ... 218
Plowden, Evans, J., Jr., general counsel, Southeastern Peanut Association ... 118
  Prepared statement ... 236
Pryor, Larry J., director, purchasing, Lance, Inc., representing the Peanut Butter and Nut Processors Association ... 142
  Prepared statement ... 210
Ray, Hon. Richard, a Representative in Congress from the State of Georgia ... 68
Reagan, Sydney C., general counsel, Southwestern Peanut Shellers Association ... 143
  Prepared statement ... 214
Rowland, Hon. J. Roy, a Representative in Congress from the State of Georgia 78
Scott, Bob, South Carolina Peanut Growers Association ... 150
Sisisky, Hon. Norman, a Representative in Congress from the State of Virginia ... 70
  Prepared statement ... 167
Stephens, Kenneth, peanut farmer, Atascosa County, TX ... 117
Sugg, Norfleet L., executive secretary, North Carolina Peanut Growers Association ... 108
Valentine, Hon. Tim, a Representative in Congress from the State of North Carolina ... 71
  Prepared statement ... 170
Wampler, William C., president, American Peanut Product Manufacturers, Inc ... 100
  Prepared statement ... 175

SUBMITTED MATERIAL

Carter, W. Randolph, executive secretary, Virginia-Carolina Peanut Association, statement ... 220
Graham, James A., commissioner, North Carolina Department of Agriculture, letter of April 1, 1985 ... 222
Mullins, Robert J., director, legislative services, National Farmers Union, letter of April 3, 1985 ... 223
North Carolina Farm Bureau Federation, statement ... 225
Stripling, C.M., president, Mitchell County Farm Bureau, letter of March 28, 1985 ... 228
Watkins, Hon. Wes, a Representative in Congress from the State of Oklahoma, statement ... 232

GENERAL FARM BILL OF 1985

(Peanut Program)

MONDAY, MARCH 25, 1985

House of Representatives,
Subcommittee on Tobacco and Peanuts,
Committee on Agriculture,
Anadarko, OK.

The subcommittee met, pursuant to notice, at 9 a.m., in the conference room, Bureau of Indian Affairs area office, Anadarko, OK, Hon. Charles Rose (chairman of the subcommittee) presiding.

Present: Representatives English and Hopkins.

Staff present: Joan Teague Rose.

OPENING STATEMENT OF HON. CHARLES ROSE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. Rose. The Subcommittee on Tobacco and Peanuts will please come to order.

We are here today at the request of Congressman Glenn English.

I am Charlie Rose, the chairman of the House Subcommittee on Tobacco and Peanuts, and on my right is Congressman Larry Hopkins of Kentucky, who is the ranking Republican member on the Subcommittee on Tobacco and Peanuts.

We are very happy to be in Glenn English's district. We know of the importance of this Peanut Program to you and to this congressional district, and Glenn asked us to come and listen to the growers on a firsthand basis and to see what you have to say about the future of the Peanut Program.

We will have a hearing on April 27, in Washington for peanut organizations and farm organizations, and if you would like to testify or like to sign up for that, the young lady in the red sweater here will be happy to talk to you at the end of the hearing and make those arrangements for you.

At this time I want to recognize our host, as to the reasons we are here, for any comments he would like to make.

Glenn English.

OPENING STATEMENT OF HON. GLENN ENGLISH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OKLAHOMA

Mr. English. Thank you very much, Mr. Chairman.

I don't have a formal statement, although I would like to welcome you and Congressman Hopkins to the Sixth Congressional District in western Oklahoma. I hope you appreciate the nice warm, sunny weather that we have down here, about the same as they have down in Florida. I understand in Washington, DC, we have about mid-1940's and it's raining, so we appreciate it.

We are glad to entertain you down in this part of the country, and we hope you enjoy the countryside.

We have some very fine farms in this region of the district, in this region of the country, probably some of the most outstanding peanut farmers that we have anywhere in the country. I think, Mr. Chairman, we are going to find, as far as the 1985 farm bill is concerned, that these farmers here are going to be able to provide us with some very useful insight as far as the Peanut Program is concerned, and make a substantial contribution in that direction.

I think that we are going to be able to clear away a lot of questions here today.

Mr. ROSE. Thank you, Glenn, very much.

I recognize Congressman Larry Hopkins from Kentucky for anything he might like to say.

OPENING STATEMENT OF HON. LARRY J. HOPKINS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KENTUCKY

Mr. HOPKINS. Thank you very much, Mr. Chairman, and my friend and colleague, Glenn English. I am delighted to be in his district. I couldn't help notice that child that left while Glenn was talking obviously was a Republican child.

Some things, ladies and gentlemen, really are more important than politics, and when it gets right down to what your Representative does for you in Washington, that is why I am here. I'm here because Glenn English is an outstanding member, I think, of our Agriculture Committee, and I think an outstanding member of the Subcommittee on Tobacco and Peanuts, and that is why I'm here.

It is just really that basic. He's a friend of mine and he certainly does a yeoman's job for you in Washington, and I'm telling you as one who observes him up close and personally as I see him there in the meetings where you don't have the advantage of seeing him.

This is not an easy time to be in Washington, and I'm here because he does do a good job. He's registered wrong, I understand that, but I'm delighted to be here in Oklahoma in my friend, Glenn English's district.

Mr. ENGLISH. I would like to say, Larry, you are welcome back here any time you would like to come, particularly during any political campaigns, and you would like to come explain that again to the folks we would be happy to have you.

It is a real pleasure to have you, and Congressman Hopkins is certainly one of the most outstanding members of our Agriculture Committee, and we appreciate him. He is very supportive of our problems here in this region of the country, and I think it is a spirit of cooperation that allows us to make progress.

Certainly we are a minority in Agriculture and we have to stick together, whether Democrats or Republicans, and I appreciate it, Larry.

Mr. ROSE. Thank you, both of you.

In the interest of just facilitating just the movement of people, I want to ask that we put about four people at this table at once: Mr.

Laverne Johnson, Mr. Loyd Vance, Mr. Dee Keeton, and Mr. Doyle Marlett.

Push those extra papers to the back of the table. We are not going to ask you to talk at the same time, but we have your statements. We will question you as a panel, and if you will keep your comments as brief as you can, your entire statements will be made a part of the record that is being prepared for today.

If you haven't filled out one of these witness cards, when you finish please make sure that the staff will have one so we can properly record your presence.

Our first witness is Mr. Laverne Johnson, president of the Oklahoma Peanut Growers Association, Fort Cobb, OK.

We are glad to have you, and you may proceed.

STATEMENT OF LAVERNE JOHNSON, PRESIDENT, OKLAHOMA PEANUT GROWERS ASSOCIATION

Mr. JOHNSON. Mr. Chairman, I am Laverne Johnson of Fort Cobb, OK. I am president of the Oklahoma Peanut Growers Association and a member of the National Peanut Growers Group Steering Committee.

We are very happy to welcome you to Oklahoma and to tell you how grateful we are that you gentlemen came here for this function today.

We believe that no group of agriculture producers has worked harder or sacrificed more in recent years to help bring about an acceptable program. Mr. Chairman, the peanut price support program does work.

The Peanut Program has had a stabilizing influence on each State, county, community and family farm involved in peanut production.

The Peanut Program has maintained farm prices and income at higher levels than would have prevailed without the program. The traditional program has provided a continuous supply of reasonably priced peanuts to the market while maintaining net returns to producers at satisfactory levels.

However, due to increasing cost exposure by the Commodity Credit Corporation that resulted from the statutory minimum support rate of 75 percent of parity and the minimum national acreage allotment of 1,610,000 acres, the program was legislatively amended in 1977 to deal with these two provisions as well as with other aspects of the law.

In 1981 Congress enacted additional program modifications to assure a continuation of program cost reduction and to suspend acreage allotment in order to permit unlimited production of peanuts by all producers.

That development provided vastly increased potential for the production of the additional or nonquota peanuts for the export market.

The present two-price program with a sharp reduction in quota production has substantially lowered program cost but has, at the same time, provided flexibility for the production of additional peanuts to supply export markets.

Under provisions of the program, shellers can forward contract for the production of such peanuts to be exported. At the same time, the basic elements of orderly marketing of the crop with effective quality control are retained.

Though we are convinced that the present Peanut Program best serves the interests of all parties, no program is perfect. One of the weaknesses of the present two-price system has recently surfaced in the marketing of additional peanuts. Some 1984 crop additional peanuts were shifted from export contracts into the domestic edible market.

As a part of this process, peanut handlers received assignments of pool earnings from growers. In many instances, when such pool earnings received by handlers were deducted from sheller outlays for peanuts, total costs to shellers were less than the quota support price for the peanuts.

It was not the intent of Congress that any peanuts, additional or quota, be purchased for domestic edible use at leass than the quota support rate. Such practices undermine the intent and purpose of the program.

Further, these occurrences relate in inequitable competition among the various peanut types and areas of production. We have all worked hard to preserve the integrity of the program, and we will offer language in the legislative proposal of the National Peanut Growers Group to deal with this matter.

We feel that the following fine-tuning must be accomplished in the 1985 farm bill. One, an increase in the national poundage quota. The present national poundage quota of 1.1 million tons is about 200,000 tons below domestic edible and seed demand.

An adjustment in the poundage quota of 1.3 million tons would not be expected to result in program cost since the result would be a balancing of domestic supply with demand.

Two, tighten and clarify provisions in the marketing of additional peanuts. In order to effectively control program cost with the quota poundage set at the estimated domestic edible use level, it would be necessary to prevent the conversion of contracted additional peanuts into domestic markets.

In other words, additional peanuts must only be contracted for export or crushing and such peanuts must then either be crushed or exported. We will offer legislative guidelines to deal with this matter.

Three, strengthen quota price provisions. The quota price support rate should be justified to more realistically reflect the continuing production cost increases experienced by growers.

Since the first major amendment to the program occurred 7 years ago, in 1978, growers have received only one meaningful price adjustment through administrative action of a Secretary of Agriculture.

A nominal increase of $35 per ton, or approximately 8 percent, was granted in 1980, raising the support level from $420 to $455 per ton.

Under the 1981 law no adjustments were made in the quota support level through the first 3 years of the 4-year farm bill. For 1985 the Secretary announced recently that the quota support level would be increased $9 per ton, an adjustment of under 2 percent.

Such a token increase will, of course, do nothing to relieve the financial stress of Oklahoma peanut producers.

The peanut product manufacturers have served notice, through a Washington, DC press conference held last December 13, that they intend to make every effort to eliminate the present peanut program.

For the record, Mr. Chairman, I wish to point out that the National Peanut Growers Group took the initiative in early 1983 to set up discussions between the grower and manufacturer segments of the industry.

There occurred four such meetings with peanut sheller representatives joining us in the last two sessions. A spokesman for the manufacturers stated last June that the manufacturers were looking forward to continuing the discussions with growers. But they later failed to respond to our suggestion of future meeting dates.

The point I am making is that peanut growers have made a bona fide effort to work out program differences with manufacturers, but at this point in time there remains no indication that the manufacturers have any interest in continuing to try to resolve the differences.

In summary, the framework of the present program provides the capacity for an adequate supply of peanuts at reasonable prices, provides an effective vehicle by which the grower can best market his peanuts, provides a means by which supply and demand can be balanced, provides flexibility for production of peanuts for export markets for the more efficient growers, and provides a reasonable basis for financing the production and processing of the crop, all at negligible cost to taxpayers.

We believe the basic framework for the current program must be continued in the new farm bill. The National Peanut Growers Group is completing the final phases of its legislative recommendations. We look forward to presenting our position to your subcommittee on April 27, and we look forward to working with you to assure peanut producers of a workable and effective program.

Thank you.

Mr. ROSE. Thank you, Mr. Johnson. We will have a question period in just a minute, but let's get the other members of the panel first.

Mr. Loyd Vance, Carnegie, OK.

STATEMENT OF LOYD E. VANCE, PEANUT FARMER, CARNEGIE, OK

Mr. VANCE. Mr. Chairman, I am Loyd Vance, a longtime peanut producer in Caddo County, OK, and I am representing the Third District on the Peanut Commission.

On behalf of the peanut producers in this area, I want to welcome you here and express appreciation to you for the effort you have made to be here.

I have given quite a lot of thought to our Peanut Program after the current law expires with the 1985 crop. I have discussed this matter with a good many of my neighbors who have farmed peanuts for most of their lives.

We are thoroughly convinced that the future Peanut Program must be patterned closely after the present program if we are to survive as family farm peanut growers.

The Peanut Program which we have here today works. Seven years of experience proves that point. We would like to see some fine-tuning in the program but not in the basic structure of it. It appears to me that the experience of the past few years with some other crops has proven rather conclusively that uncontrolled production with inadequate price floors have ruined a lot of farmers.

The present Peanut Program with its two-price system controls Government cost exposure on the quota production while permitting unlimited production of additionals for export-crushing at no cost exposure to the Federal Government and taxpayer.

We want to continue the quota base but it should be increased as needed to keep up with domestic consumption. We have got to have price assurance at a level which will give us a chance to make a profit—without that opportunity most of us cannot get financing to plant and produce the crop. A large percent of our growers must have financing to continue to operate.

We think peanuts are best produced by family farmers, not by large corporations. We are convinced, and we think past history proves, that the family farmer has consistently produced an adequate, dependable supply of peanuts at the very lowest cost possible.

Continuously rising costs make it more necessary than ever that price levels at which we can market our crop be tied to such rising costs. We have absolutely no control over most of these cost increases.

Because of rapidly escalating costs, over which growers have no control, we must have reasonable price protection on our quota production. The quota support rate provided in the current farm legislation should be closely examined and increased automatically as costs increase.

Farmers cannot continue to produce a top quality product unless they have the opportunity to make a profit. Farmers cannot continue to secure financing to produce the crop unless anticipated income exceeds expected costs.

There is no doubt that a large part of the Nation's peanut producers must have annual financing to continue to farm. There is also no doubt that many of the steps a farmer follows to produce top quality peanuts, significantly increase his costs.

The American public deserves and has been getting top quality peanuts. This cannot be compromised. Peanuts are a nutritious food. Peanuts must be harvested, handled and marketed differently than cotton and other grains.

There is the need for a planned production system accompanied by support prices that will make crop financing possible. Growers, through substantial sacrifices in many instances, have made the very difficult transition from the old acreage allotment one-price system to the present supply management two-price system.

We feel some pride in the fact that this transition has largely eliminated Government losses on the Peanut Program. At the same time, the American consumer has benefited from a predictable and stable supply of wholesome top-quality peanuts at a reasonable price. We support the continuation of the present Peanut Program and urge your support of it.

We feel that minor modifications should be made but only within the framework of the Present Program. Farm programs that provide ample supplies of the commodity for both domestic and export use at negligible cost to the taxpayers are hard to find. The Peanut Program does this.

The program also involves quality assurance through thorough grading requirements and a strict quality control program.

The Peanut Program is not perfect. From the growers' point of view, modifications need to be made that will strengthen the farm quota base and the quota support price. Other fine-tuning needs to be accomplished.

Other industry segments apparently also want some modifications. But all of the modifications can and should be made under the present program structure. Otherwise, we will lose the stability that a successful peanut program must have.

Thank you for permitting me to make this statement.

Mr. ROSE. Thank you very much. Our next witness is Mr. Dee Keeton, Oklahoma Peanut Commission.

STATEMENT OF DEE KEETON, PEANUT FARMER, KINGSTON, OK

Mr. KEETON. Thank you, Mr. Chairman. My name is Dee Keeton. I live in Kingston, OK, and I am a member of the Oklahoma Peanut Commission, and I also represent the Texoma Area of Peanut Producers Association and, likewise, we certainly appreciate your being here today.

I would like to echo the previous two gentlemen by saying that our present peanut bill is working. It doesn't cost the Government anything, yet it allows us to have the opportunity to operate in a profitable situation.

I am told that the fiscal year 1984 program cost will be about $1.2 million. Now, you gentlemen may have the latest budget figures—I don't—but whatever they are, $1.2 million is a very small drop in a very large bucket. I think that the peanuts in the fiscal year 1985 loan should make money at no cost to the Government.

So, as Mr. Rose has said so often, the very famous statement, "If it ain't broke, don't fix it," and I say why change something that doesn't need changing. And apparently Mr. Reagan has made up his mind to change somethings that don't need changing.

Farmers are not responsible for all the inflation and budgeting things for which they are getting blamed. Why should 2 or 3 percent of America's population be held responsible for nearly 20 percent of the national debt?

We didn't create the high dollar that keeps our products out of foreign markets and we didn't cause embargoes to be imposed that virtually killed what export markets we had.

Until some kind of Government mandated volunteer controls are put on the things we raise, then we will never get enough money to pay for raising them because there will always be too much production. It will be cyclical; boom or bust.

We must somehow get enough money out of our farm goods to pay for the cost of raising those goods, pay the interest, pay the loans, and I would like to have some money left over to live until next year.

Ideally we ought to have enough left over to plant next year's crop. My daddy could, but I can't. And we need to feed our families until we harvest that crop.

I don't think there is any farmer in here that wants to get paid money to not produce. I think we all want to be paid to produce.

Most every other country in the world that is exporting things to our doorstep has some sort of policy that helps the farmer produce.

Really, I don't care about busting my rear to produce an abundant supply of cheap food that will get sent overseas and for which no one will ever receive payment.

I don't think I am under any moral obligation to feed any starving nations unless I get paid to do it. And after all, the Bible plainly states that when Jacob sent his sons to Egypt for food, he sent money with them and they didn't go for a free meal or a handout.

The farm credit system has got to be strengthened so that our farmers who are going broke right and left can get some relief from their misery. Mr. Reagan has promised good times down the road and if they are going to come I would certainly like to be around to see them.

I know some of us are bound to go under but I think that the really bad managers have been taken out already and I know we have some good farmers out there who are going to go broke if they don't get some help soon.

The concept of a free market in agriculture has never worked in the history of our country. Dr. Wayne Rasmussen of the FDA recently gave a speech which I saw on cable TV in which he traced the history of Government assisted farm programs since our Government was founded and he went from George Washington until now and basically he said that most of them never did work right, and I think we can get them to work right.

Food is perishable; automobiles, TV's and stereos and the like are not perishable. When a calf is ready for market it has got to go on that day's price whether you like it or not. If you put peanuts in a warehouse they will rot before next summer. So that is why we can't get enough money out of what we grow and the U.S. Government knows that fact and that is the real reason we are operating under a cheap food policy.

Our Government has got to have something to trade on and everybody wants to trade for something cheap. I would like to quote a recent experience I had. I went in a men's store in a local shopping mall to buy a dress shirt and I looked them all over real carefully; the one that I wanted cost $44. I told the clerk—and I will clean it up a little bit—I told him it was a heck of a note when cotton was bringing 60 cents a pound and shirts cost $44 apiece. He didn't disagree. So instead of buying the shirt I went over across the aisle and I bought a $22 bottle of Polo aftershave lotion, 4 ounces.

My point is this: I figured that it was better to smell good than look good.

I would like to point out that most of us would like to have a bigger share of that $44 shirt. And undoubtedly we would jump at the chance to sell corn as corn whiskey for $22 a half pint. I think Jack Daniels ought to take a few lessons from Ralph Lauren.

I know we can't borrow ourselves out of the mess we are in.

Gentlemen, about 3 percent of our country's population owns 100 percent of all the food and as soon as our Government realizes that, it is going to scare them to death.

We have the most vast food producing machine in the history of the world. It is about time we started using it for the good of all of us and let's don't wait untii about a dozen big super farmers are raising all the groceries, because if you do you ain't never seen high grocery store prices like you will then.

Gentlemen, thank you very much.

[The prepared statement of Mr. Keeton appears at the conclusion of the hearing.]

Mr. ROSE. Thank you very much.

Our next witness is Mr. Marlett.

STATEMENT OF DOYLE D. MARLETT, GENERAL MANAGER, CADDO ELECTRIC COOPERATIVE

Mr. MARLETT. Mr. Chairman, I am Doyle Marlettt of Singer, OK. I am general manager of Caddo Electric Cooperative, a rural electric cooperative providing electric service to parts of eight counties in central southwest Oklahoma.

The economy of our total service area is affected by agriculture, whether it be direct farming, agribusiness, the local merchant or the residential sector.

First, of the approximate 32,000 acres of peanuts grown in Caddo County in 1984, 30,000 acres were irrigated. To produce a quality peanut and assure a reasonable yield it is necessary to irrigate. The northwestern one-third of our serivce area has an abundance of ground water available.

Caddo Electric Cooperative serves electric power to 514 irrigation systems in the area with the majority being used to irrigate peanuts. The motor sizes range from 20 to 150 horsepower.

In 1984 the irrigation energy cost, electric, in the production of an acre of peanuts varied from $150 to $200. In the past 5 years we have seen a 60 percent increase in these costs. We do not expect as large an increase in the next few years, but we could experience an increase of 10 to 25 percent in the next 4 to 5 years.

This would also add to the cost of production of an acre of peanuts. From our position as a supplier of energy to the farming sector of our area, we do hear the pulse of the peanut grower. Due to the tremendous costs incurred to produce quality peanuts through energy, seed, fertilizer, fuel, equipment, insecticides, cost of money, and others, should there be any further reduction or elimination of the price support program, raising peanuts in our area no longer whould be a profitable crop.

I do not have the exact figures as to the total impact the loss of a $20 million-plus industry would have on our area. I do know that for Caddo Electric Cooperative members it would be substantial.

We have invested over $30 million in building a distribution system to serve the electric needs of our 14,000 member consumers. The portion of our system to serve the irrigation segment represents 13.5 percent of our total investment.

The loss of peanut growers in our area would affect every other member-consumer we serve. The total investment of our system would be borne in increased rates to the balance of Caddo Electric members, including 11,000 residential consumers.

I think each of us would like to see our Government spend our money wisely to receive the maximum benefit for every dollar spent. I believe that the present peanut support program is fair and has a much greater benefit to the total economy and stability of our area, the State and Nation, than the cost of the program.

I do appreciate the opportunity that you have given us today to express our views to you on such an important matter. Thank you.

Mr. ROSE. Thank you very much. All of you have given us excellent statements. We thank you for briging them to us.

At this point I don't have any questions. Are there any questions by the members of the panel?

Mr. ENGLISH. I would like to make a point and then ask a question. The point was made by Mr. Keeton: if it ain't broke, don't fix it, and that certainly is what the chairman has advocated all along. We have some programs in agriculture that work fairly well; we have those that don't work well at all.

The question is how to get those that don't work well to work well and not mess up those that do. That is kind of what we are getting into. But we have an approach that is being advanced that is more of a general philosophy that we ought to get out of agriculture altogether, and I think, though, that ought to be rephrased just a little bit and instead of getting out of agriculture they are talking about getting the Government out of agriculture.

I am not talking about getting the Government out of agriculture. I am talking about getting the assistance out of agriculture.

There was an article that was handed to me that was in the Southwest Farm Press about how our Government is going overseas and using nearly $1 billion to assist in the development of peanuts by foreign countries to compete against our farmers.

Now, this is happening not just in peanuts but is happening in virtually every other commodity. We find that foreign countries are using subsidies to undercut prices that our farmers have, to compete unfairly. That is demonstrated all the time.

This, as I said, has no real regard with regard to commodities; it happpens to all our commodities, even commodities we are selling overseas.

What would you think about adopting—and certainly we don't want to start a trade war or have anything to do with it, but what would you think of adopting a policy of what I would call reciprocity, "tit for tat"?

If a foreign government comes in and uses money out of their treasury to undercut the prices the American family farmer is receiving, we will match it, the U.S. Government will just tell them we are going to match it, whatever you do. Whenever we find that is what you are doing we are going to match what you are doing.

If a country sets up a trade barrier to try to keep our products from coming into their country and we find, for instance, that Japan has been one that is very restrictive on agricultural imports that come in, they can expect the same thing out of our country.

We will erect trade barriers against their products if that is the way they are going to treat us. We won't exceed anything they do but we will sure match it right down the line, "tit for tat".

Would you care to comment on that?

Mr. **Keeton**. Needless to say, Glenn, that is the best idea I have heard of in a long time, and I certainly would agree with it. I know our growers would, in all commodity sectors. We agree with that idea very much; that's great.

Mr. **English**. Thank you very much.

Mr. **Rose**. Sounds like a good, workable program.

Mr. **Keeton**. Congressman, that would be great. Could we add to it the concept of lowering the amount of production on this end, though?

Mr. **English**. I think that goes without saying, that that would. In fact, before, I think we should adjust our production. Let's not call it supply management. What we are talking about is surplus management. We are not talking about just supply. We are going to sell everything we can possibly sell; doesn't make any sense to go out and produce a lot of things and then just store it. It costs the Government money, costs the farmer money; everybody loses in that kind of deal.

But surplus management, before you do that I think you have to make sure other countries are not coming in and taking away your markets, and the way you do that is to make sure that everybody is playing on a level playing field.

Mr. **Marlett**. I think it would be a good idea. The way I understand it, the European communities have been doing this for quite a while.

Mr. **English**. That's right; most of our competitors overseas have been doing that.

Mr. **Rose**. At this time I would like to have Mr. Sam Smith, Mr. Larry Busking, Mr. Willie Salyer, and Mr. Fred Schamburg please come to the front to the table.

Here, again, gentlemen, in the interest of finishing in a reasonable time, where you can, summarize your written statements and we would appreciate it.

Mr. Sam Smith, John Deere Implement Co. of Prague.

STATEMENT OF SAM D. SMITH, OWNER, FARM SUPPLY AND PEANUT BUYING FACILITY, PRAGUE, OK

Mr. **Smith**. Mr. Chairman and members of the Tobacco and Peanuts Subcommittee, I am Sam Smith of Prague, OK, and there is another Sam Smith right across the street that does operate the John Deere Implement dealership, and I operate the farm supply and peanut buying facility just across the road from him.

Mr. **Rose**. I apologize for that. I don't know how we got that in there.

Mr. **Smith**. We get mixed up quite a bit; we went in business about the same time.

Today I will attempt to show you the contribution the peanut industry makes to the economy of Prague, OK, also the work force needed just to service the industry, and why we feel sure the changing of the present peanut program to any large degree would remove this important part of our economy.

The total reported sales in Prague, OK, was $22 million during 1984. Five percent, or approximately $1.1 million, can be directly attributed to income from the peanut industry. Of the businesses in Prague, 15 are directly affected by the income from peanuts while all others, such as clothing, dry goods, groceries, restaurants, and other businesses are indirectly dependent on farm income.

We, at our business, are one of the average size buying points in Oklahoma. Prague, being an average size community, illustrates the economic effect which would be similar in all areas or communities in which peanuts are produced.

The full-time jobs created by the marketing and service required by the peanut industry in Prague is 19 full-time and 20 to 22 part-time jobs. The part-time jobs being just during harvest, plus the help required by each farmer in the production and harvesting of peanuts.

The above mentioned jobs do not include the added demand on the natural gas, electric, diesel and oil industry. The employment in Prague as a direct result of the peanut industry is in the peanut processing plant, full-time 4, and part-time 3 months; 15.

For the implement dealership, three full time, two part time, or for the 3-month period.

The liquified gas, propane, for irrigation and farm use one, and part time one.

Fuel, diesel and gas for tractors and related equipment three, and two part time. And for the banks, four at each bank, eight.

All of this does not seem too important when you talk about one rural community losing two full time jobs if the present program is changed to any great degree, but when we consider the loss of one business that employs five or six people disastrous, you can see what that loss would mean to our community.

You will know the effect of one employed person and the mushroom effect it has on the number of people it takes to serve that person, and since our unemployment rate in Lincoln County is well over 12 percent at this time, plus the depressed farm economy, it would seem doubly important to you and your committee to retain any program that makes this much contribution to our economy, without basically any cost to our Government.

In view of the dollars generated by the peanut industry in Prague, which is approximately 3 percent of the production in Oklahoma, the figure used in Prague could be applied to all other rural areas in Oklahoma.

The same proportion of the total dollars can be applied to jobs and other industries in the rural communities, not only of Oklahoma, but for all peanut producing areas of our Nation.

The above income created by the peanut industry does not include the income generated by the trucking industry for the transportation of peanuts from the farms to the marketplace and the transportation from marketplace to the processing plant. Nor do these figures include the work force or dollars generated by the shelling plants and other processors.

We, at our marketplace, paid $44,275 to the utility companies for gas and electricity to dry and handle farmer stock peanuts during the 1984 peanut harvest and paid $33,000 for labor just during harvest.

This again represents 3 percent of production in Oklahoma, so you can see the dollar value of business generated by the peanut industry in Oklahoma and the same figures would apply nationally.

In the event of any great degree of change in the present program, our business in fertilizer, seed, and chemicals alone would be decreased by a minimum of 40 percent. We would in all probability have to close our business since this would not be enough business to generate enough cash flow or dollar business necessary to sustain our business operation.

Also in regard to our business we have thousands of dollars invested in equipment which would be of no value to our business for any purpose other than drying and processing peanuts. This same statement could also be made by any farmer who produces peanuts.

Many pieces of equipment he uses in producing peanuts cannot be used for other crops; consequently, this equipment would be sold for a fraction of its value, thereby depressing the farm economy even further and forcing many bankruptcies which would result in local banks as well as Farmers Home Administration, Federal Land Bank and other financial institutions failing and depressing land values further.

Farming in general would be in even worse condition than it is at this time.

Gentlemen, in conclusion I would ask you to look at the figures which have been presented to you and transfer the figures to a statewide basis. This would mean one job for each 150 tons of peanuts produced or 700 total in our local communities.

Again I would say this does not include the farmer production and harvesting, shelling and processing plants, trucking industry, and other related fields.

To further emphasize what I have presented to you today I asked the presidents of our local banks to make a statement concerning the economic effect of the Peanut Program in Prague, which I would read to you at this time. This is from Milo Foreman, president, Prague National Bank:

> Prague National Bank has 20 peanut farmers in the Prague trade area that depend on a peanut crop for 50 to 100 percent of their farm income. This represents 800 acres, 95 percent under irrigation, with gross income of $560,000 to $650,000.
>
> Our local businesses are directly affected by these farmers. Bulk fuel, fertilizer, herbicide outlets, implement dealers, auto dealers, banks, utility companies and our local labor force are all depending on peanuts and income derived from same.
>
> This crop directly affects 15 businesses in Prague and the balance are indirectly affected. Small towns are struggling to stay alive now. If the above income was taken from Prague, some businesses would fold. Rural America must stay healthy and prosperous for this country to be strong.

And this next statement is by James Hargrove, president, the First National Bank:

> The 1984 sales of peanuts marketed through Prague totaled $1.7 million, which represents a below normal average market value due to the weather conditions prevailing both in the growing season and at harvest time.
>
> By eliminating the peanut program the effect on the First National Bank would be very detrimental both to the bank and our farm customers, not to mention merchants and farm related businesses such as implement dealers, seed, feed and fertilizer dealers, fuel suppliers, et cetera.

Approximately 90 to 95 percent of our farm customers who grow peanuts finance almost 100 percent of their operating expense, equipment cost, and a large percentage of their real estate in producing this cash crop.

Also, if the peanut program is eliminated, other major cash crops such as corn, alfalfa, wheat, soybeans, milo, and livestock production would not replace the income that they presently receive from peanuts, thus causing an already overburdened farm economy to deteriorate further and prevent the farmers from servicing existing debts both at the banks as well as other loan sources now used.

At the present time Lincoln County has a 12-percent plus unemployment problem. The loss of peanut production would increase this percentage considerably.

Another important factor, if the peanut program is eliminated, the farmers will have invested thousands of dollars in specialized peanut equipment for which there is no other use. The forced sale of this equipment would only net approximately 10 to 20 percent of its worth.

Mr. ROSE. Thank you very much, Mr. Smith.

Our next witness is Mr. Larry Busking of Caddo Equipment Co. in Carnegie, OK.

Mr. JOHNSON. He didn't get to make it today, so we can go on to the next one.

[The prepared statement of Mr. Busking appears at the conclusion of the hearing.]

Mr. ROSE. That is Mr. Willie Salyer, Anadarko Farm Center.

STATEMENT OF WILLIE SALYER, ANADARKO FARM CENTER, CADDO COUNTY, OK

Mr. SALYER. Again we are happy to welcome you to Caddo County. I am a farmer and I am also an agribusinessman, total agriculture, and still live on the farm. I would echo everything this previous gentleman has said, and if it please the subcommittee I would like to look at agriculture on a little bit of a broad world light.

Last week we celebrated Agriculture Week across America. We again heard that agriculture is America's biggest industry; also we were reminded that one U.S. farmer feeds 76 Americans and 28 other people which, of course, would be foreigners.

Of course one producer to feed so many, he must, as it would a soldier on the front line, have many supportive people. Along with the farmer these are what make up this large agricultural business. The economic health of the farmer gives health to the fertilizer industry, the hybrid seed industry, much of the oil and gas industry, much of the chemical industry, much of the auto and truck industry, much of the tire industry, and of course a host of many other industries such as steel, wood, and related farm supply items; plus farmers' health gives help to rural financial institutions.

Last but not least, a farmer is a family home type consumer. Main Street of rural America depends on him. In Oklahoma, for example, if we lose the main streets of rural Oklahoma, to borrow a phrase from William Jennings Bryan, the grass will grow in the streets of Oklahoma City and Tulsa.

Peanuts are Oklahoma's third largest income crop, barely edged out by cotton, we all know wheat is the No. 1 crop in Oklahoma, and certainly to Caddo County it has worked well, needs to be continued and of course strengthened.

The price of peanuts have little more to do with the price of peanut butter than the price of wheat has to do with the price of a loaf of bread.

We need to keep these things in mind. The law of supply and demand. We agree with the law, we cannot repeal the law, we would be foolish not to respect the law. I think what our peanut producers and indeed five other major crops need, is help of the U.S. Congress and the administration to help this law of supply and demand to work better for all.

And I agree with Congressman English, what he said about we must keep the market worldwide on this production. We are all aware of the matter of farm debt, we are all aware of that, high interest rates, high dollars in relationship to other currency.

I think you gentlemen know this high dollar could fall out of the bed overnight. We could have another possible catastrophe happen as did the savings and loans in Ohio; you see the foreign money rise quickly and the high dollar disappear overnight.

But the big problem worldwide that is causing low markets, the biggest problem, in my opinion, is huge world agricultural production.

Approximately 1 year ago one of our most prestigious universities, Harvard University, which does not normally dabble in agriculture, ran a survey, and said there is more food available per person on this Earth than has ever been before, and I do not know how surveys were run in the past.

I am 55 years old. I became interested in economics at an early age, I have heard all my life just around the corner the world is starving, agriculture will be King Tut, I do not know when this will happen, we have so much ability, it is a wonderful problem, but it is a problem of economics.

If you do not have a sensible market you cannot have healthy economics. Of course, there will always be and always has been isolated tragic situations like Ethiopia.

To say starving countries around the world is a misnomer, there are starving areas, isolated areas that might be hungry, but that still does not mean we do not have a surplus of food, those are problems within themselves, not a matter of the food being available in the seventies and eighties.

I have been in Europe 4 times, 11 countries, behind the Iron Curtain, I was amazed at the agriculture in Europe, and corn and peanut production, particularly in Africa.

The biggest strain we know on the Common Market is overproduction of agriculture in Europe. When we talk about foreign markets that is a wonderful market, Congressman, most people pointed out that India's population, 750 million people, second most populous on the face of the Earth, we are feeding, but this is not true. They have exported grain 3 out of the last 10 years.

From U.S. News & World Report the last month, India exported to Romania, and have had other agricultural exports.

China—1 billion people—they are exporting corn to Mexico right now, exporting soybeans to Japan, and exporting cotton anywhere they can.

We have multiple problems; American no doubt will continue to be the world's largest exporter of agricultural products. However, I do not believe that we can run our farm economy at full throttle as we have been doing. We cannot run full throttle any more than our American factories, such as General Motors, John Deere, RCA.

I do not know of any factory in America that continues to run full throttle without disastrous results. We in agriculture must look to you Congressmen and our administration and of course including the Senate to help us truly make this law of supply and demand work so that we do keep a strong America and the numbers that we see and the fine gentlemen sitting in this audience that represent really a small area—of course, a wonderful area.

Much better to see these faces, these decisionmakers, than to have four or five corporations producing the food and getting together at the top, and believe me they would do it—take an awful lot of refereeing to keep them from doing it.

Thank you for letting us testify.

Mr. ROSE. Thank you very much.

Our next witness is Mr. Fred Schamburg from the Bank of Hydro.

STATEMENT OF FRED J. SCHAMBURG, EXECUTIVE VICE PRESIDENT, BANK OF HYDRO, HYDRO, OK

Mr. SCHAMBURG. I would like to thank you for the opportunity to speak to you today and perhaps give you an insight as to what people are facing today on our farms and in our cities in western Oklahoma.

I am a banker from the little town of Hydro, OK, located approximately 60 miles west of Oklahoma City. I have been seeing the many problems and changes that the farmers have been dealing with and the problems now facing agricultural communities and State economics.

Locally our economy is based on a farm economy in its entirety. Never before has it been so evident to the area people of how important the farm dollar is to banks, retail businesses, and industry associated with farm products.

The realization that a financially distressed farmer has the economic load of governing the prosperity of the entire western Oklahoma economy has come to light. This generation of farmers is currently facing the most difficult challenges since the Great Depression of the early 1930's.

Oklahoma farmers are fortunate in the aspect of being very diversified with the commodities grown in the area. Depressed commodity prices on one crop leads to the increased production of another.

Through this diversification, this area began growing peanuts for the first time in the 1930's. Through years of work, the influx of irrigation, and the advancement of farm expertise and technology, we have increased the production of peanuts in Caddo County up to 50,700 tons of peanuts for 1984.

This production has obviously produced millions of dollars for local economies throughout the area. It has not only been our largest cash crop, it has been the stabilizing force of our local economy when other aspects seem to fail.

We are currently in the last year of the existing peanut program and strong consideration must be given to the adoption of a feasible, practical program in the years ahead. Our farmers, in order to make this current program work, have sacrificed from 40 to 50 percent of his production in the changing of the standards from acres to poundage.

This year was also the first time under the existing program that the price of peanuts has been raised. It looks as though we will be getting a $9-a-ton raise for the 1985 crop year.

Since the beginning of the program, our production costs have increased dramatically each year. The amount for a well-and-pivot irrigation system costs around $50,000. Energy to run those systems has cost from $70–$160/acre. The peanut farmer has a huge capital investment, even before operating expenses begin.

The capital outlay for equipment, wells, and mechinery necessary to produce the peanuts, disregarding the price of land, is tremendous. Not having a peanut program would totally devastate western Oklahoma. Farmers would fail, as would retail businesses, suppliers, and financial institutions throughout the area.

This crowd is here today because what is being said, thought, and decided upon will affect their lives and their families lives. These people have been farming this area for generations. They know this land, they know the climate, the seasons, and they have developed the expertise to produce a product that will provide a decent living.

We cannot deny these people a right to survive by what is decided here today, nor can we legislate an entire industry out of existence. Careful analysis of the existing program, and how to make a better program for all involved, is why we are here today.

If we were to extend the existing Peanut Program for another 4 or 5 years there are some changes the Southwest peanut grower would like to see. The most important aspect that needs to be eliminated is the buyback program as it now exists.

Farmers will get $559 a ton for quota peanuts this year. The support price for the additionals is $148 a ton. The additionals are supposed to be exported for crushing, but such has not been the case in recent years.

The additionals have been retained for domestic use; therefore, with the quota peanuts, this has created a surplus of domestic peanuts. This has held down or eliminated the increase in price for quota peanuts. There are too many loopholes, too many ways to bend the rules, and thus, it should be eliminated or drastically changed.

The quota system is an excellent system for keeping supply and demand on an even basis. Out of all Government farm programs throughout the years that have been implemented, the peanut program is the only program that has been self-supporting. It has not cost the Government any money, with the exception of some administrative costs from time to time.

Eventually, with the buyback program as it is, it will begin to cost the Government money. The Southwest peanut grower is determined to make sure that does not happen.

The Agriculture Committee should probably look at establishing similar programs for wheat, cotton, and feed grains within the near future. If similar programs were to be adopted, eventually we would see an end to the ever present grain surpluses that have plagued the American farmer.

As all of us know, the macroeconomic policy decisions that affect interest rates and the value of the dollar relative to other currencies will affect the survival rate of the stressed farmers and farm lenders more than any other action congressional agriculture committees or the Department of Agriculture could take.

A significant drop of rates and the value of the dollar would greatly improve the farmers' ability to meet their debt obligations. Bankers are committed to using all available programs to help farmers through their current credit crisis. Debt restructuring, the elimination of debt through liquidation of some aspect of their farming, and the cash flow analysis of each enterprise has never been more emphasized.

Whether or not the administration's debt assistance program will work is largely dependent upon whether the Farmers Home Administration bureaucracy will permit lenders and borrowers sufficient flexibility to efficiently and effectively process loan applications within the next 60 days.

All aspects and alternatives must be pursued and the agriculture banker is leaving no stone unturned in the plight to ensure the existence of the farmer, the community, and of his institution.

The farm family has been the backbone of our Nation's agriculture, and our agriculture has been the backbone of our Nation's economy. Historically, farm families have been the most efficient producers of our Nation's abundant food and fiber supply.

They have made an extremely positive contribution to the strength of the social fabric of this country. Farmers are getting enthusiastic support from Governors, State legislators, and Members of Congress representing agriculture States.

These elements, as well as public awareness, are both necessary and mandatory for active, resourceful methods of dealing with the farm problems. All of us, together, will make a difference.

In the midst of all the changes and uncertainty in today's economy, and at the onset of writing important new commodity legislation, the Congress declares anew its commitment to the objective of seeking to create the type of environment which will assure the survivability of the heart of rural America, the farm family.

They are evaluating farm commodity programs not only in terms of the impact on the farm family, but on the business and social infrastructure of rural America.

Gentlemen, we commend you. We are glad to know that the knowledge of rural America and its people are instilled in you, and the desire to carry out the responsibility you have of reflecting accurately the needs of those you represent is strong.

Americans are lucky to have a system that demands input from the people, because everything is designed for the people. As many problems as we have, and as many difficult tasks as there are lying before us, we still are living in the most superior country on the Earth, and I thank God we are. Thank you.

Mr. Rose. Thank you, sir.

To round out this panel I am going to ask Mr. Grady Scott from the Chickasha Production Credit Association—are you here?

STATEMENT OF GRADY L. SCOTT, PRESIDENT, CHICKASHA PRODUCTION CREDIT ASSOCIATION, PRESENTED BY KEITH HANDKE, VICE PRESIDENT

Mr. **Handke**. Mr. English, Mr. Chairman, I am Keith Handke, vice president of the Chickasha PCA, and Mr. Scott sends his regrets for being unable to attend today due to a scheduled meeting out of town.

I want to thank Mr. English for his efforts to ensure a sound, consistent farm policy that will ensure a financially sound agriculture sector as well as provide the consumer with a quality product reasonably priced.

Our association makes short- and intermediate-term loans to agriculture producers in three counties, Caddo, Canadian, and Grady Counties. As you know Caddo County is the largest peanut producing county in Oklahoma and there is also a considerable amount of peanuts grown in Grady County.

Our association today has approximately 30 million in volume and loans outstanding in these three counties with half loaned out in Caddo County. This is due primarily to the large peanut base in Caddo County and the resulting investment in land, machinery, and other imputs.

Due to the cost of production and extreme weather conditions the past 3 years, the word "profitability" has seemed to escape our vocabulary. Our overall credit quality on all our loans in 1980 was 89 percent good paper. Today it is around 70 percent and declining.

Any change in the peanut program at this time would further compound the income problems of our producers and erode their collateral base. The current peanut program affords the more efficient peanut farmers that we finance the opportunity to generate a positive return on their investment under normal weather conditions.

Without the system of supply management in place as offered by the peanut program, the potential for profits to service debts and for financial solvency on farms would be adversely affected.

Without the stability offered by the present Peanut Program, credit restraints would increase and the availability of money for seed, fertilizer, and other farm expenses to put in a crop would be hard to come by.

Farm sales and foreclosures would increase because of the destruction of the peanut farmers' collateral base and the stability of their market.

Many Oklahomans are unaware of the importance of the peanut industry in our State. Peanut production in Caddo County accounted for approximately 50 percent of the total peanuts grown in Oklahoma with gross income over $21 million in 1983.

The 5-year average gross income from peanut production in Caddo County is approximately $25 million, which accounted for 25 percent of the county's gross income.

As you can see, peanut production is a very important cash crop which supports many other industries and the financial well-being of our rural communities in Caddo County.

It is our opinion that if the Peanut Program is eliminated, after a few years there will be no peanuts grown in Oklahoma because of the high production costs in relation to—let us say Georgia.

Our irrigation costs account for 25 percent of the total per-acre cost, and continues to increase. If we do not grow peanuts in our State, who will utilize the specialty equipment and irrigation investments that all peanut producers have made over the years?

Let us consider another point. The fact is, we do not have a burdensome supply of peanuts at the present. We contend that opening up the peanut production to be a free market will create an oversupply. Look, for example, to wheat and cotton. Both were under acreage control at one time and later opened to unlimited production.

Now we have price-depressing inventories of both crops. We can see the result of the Government free-market concept in both these industries. Foreclosures and farm sales are at record levels due to Government's lack of concern for the family farm, and the understanding that American producers cannot compete on the world market if their adversaries are given Government subsidies. Some even given from our own country.

We would like to see more controls to curb overproduction and allow the American farmer a decent return on his investment. We like many other lenders have learned over the years that more credit is not the answer to today's agriculture problems, profitability is.

Instead of trying to help the American farmer, our Government is trying to throw the agriculture industry on an open market where the farmer has no control and is at the mercy of the commodity man, wholesaler, retailer, and every other person that handles his product before it reaches the consumer, whether at home or overseas.

A recent newspaper article stated that exporting commodities overseas accounts for 65 percent of each dollar earned and that the declining foreign markets could plunge the State farmers into the deepest financial crisis in 25 years.

Also it states that Oklahoma's agriculture exports have declined nearly 23 percent since 1980, according to USDA statistics. In 1980, the State's farmers sent about $970 million of commodities overseas, compared to $748 million in 1983.

What action has the Government done to try and reverse this trend? They say our answer is the free-market concept. Once our prices have gone low enough we can compete on the world market. We say our farmers cannot compete with foreign farmers whose commodities are subsidized, and the end result will bankrupt rural America.

Our farmers and the economy they support desperately need the continuance of the cost-effective Peanut Program and stability among other commodities. They need a return on their investment that will allow them a potential for enough profit to qualify for constructive credit and assure them enough income to provide a living for their families and service existing debts.

Future cost-price squeezes will be difficult for borrowers to handle and maintain their dignity, much less protect their remaining assets. As a lending institution whose sole business interest lies in extending constructive credit and related services to agriculture, we urge your support in continuing the Peanut Program with its basic marketing quota and price-support structure. Thank you.

Mr. ROSE. We will talk to all four of you now as a panel. You've given us a lot of good information, you've made some very good points about the high dollar and the oversupply of food, and there is one thing that I think all of us at this table agree upon and that is that there is another factor in there that makes life pretty difficult this year, and that is the administration asking us to go to a free market concept for peanuts.

In other words, basically to go to a loan program, and when you get all those things together moving in one direction it is difficult. We are going—you are right, I believe that the program is not broke, it doesn't need fixing, it needs a little fine tuning and everybody in this room ought to know that is exactly what we are going to attempt to do.

But there are not many commodities that have the processing—not processing, the peanut butter and the candy manufacturers are fighting this program, they want it all cheaper. They have hired lobbyists and they made it a fight 4 years ago and they say they are going to make it a fight this time.

The real thing we have in our favor this time is that the program hasn't cost anything, basically, over the last few years.

Mr. SCHAMBURG. May I make a comment?

Mr. ROSE. Yes, sir.

Mr. SCHAMBURG. First of all the shellers—the manufacturers of the finished product of peanuts want it cheaper——

Mr. ROSE. Not the sheller, not the sheller.

Mr. SCHAMBURG. The peanut butter manufacturing candy people, not a one has guaranteed, and they have made a point that they do not guarantee a cheaper product to the consumer. I would suggest to you with all due respect the president is relative to agronomics as our late Senator Kerr said about Eisenhower, did not have an economic brain, although a good President, I question if there are very many agronomic brains around at all.

I think it is obvious there is no such thing as a free world market, and we are all free enterprise people, we don't have to debate that, Republicans and Democrats, we are free enterprise, private responsibility, but we do have to face up to reality, and that is what I think we need to ask Congress and our administration to do is help us enforce more sensibly this law of supply and demand.

The TV program last week put out by Elanco, there was a farmer from Iowa, and I am sure there is not a better farmer living than this farmer, he makes some brilliant statements, we need to work hard, we need to produce more, we need to grow corn and do something with it, we need to make value of it.

Those are beautiful statements but don't mean a thing, they don't solve any problems. You cannot create a market in our world's financial dealings with tremendous surplus, and we all—cattle is in real tremendous supply and we can go to our market and buy them cheaper, we have to buy them cheaper, we have to compete.

So, you are the people to help us. I do not think the American farmer can, nor do I believe he should, form a union and then demand his dues, so to speak.

We have seen abuses of unions or any other monopolies, such as sometimes big business. What we want is Congress to help us in the administration with this law of supply and demand and help with this free enterprise system to help make it work.

We know we are not going to come up with anything perfect but I know Congressman English and our own Senator Boren are certainly on the right track.

Mr. ROSE. Thank you, sir. Mr. Hopkins.

Mr. HOPKINS. I agree with everything you have said; I have no argument at all. I think in all fairness, though, I can tell you the dilemma that your own Congressman finds himself in, and I say this in his defense. I don't want anybody here thinking that you can just tell Glenn English and Glenn will fix it up, because it is much more difficult than that.

In fact, somebody who testified here today was talking about the low numbers we now have in the Congress who actually represent rural areas.

There is now less than 3 percent of the population which is rural. Translating that into Congress, your Congressman, less than 10 percent of the Members of Congress come from rural areas. And that is why meetings like this are important, why it is important that Glenn English have this type of meeting, we ought to have them all over the country, as far as I am concerned.

If I could finish my point in showing you the tough job that we have, Glenn comes from and represents rural people who work with their hands. We try to translate his efforts in Congress, but less than 10 percent of Congress represent rural areas. The others, well intentioned as they may be, I call them concrete cowboys, from New York, Chicago, Los Angeles, who have never seen a peanut grow, they think groceries are grown in the Kroger store.

I am telling you like it is. The problem that this guy faces that represents you up there, it is tough. That is the truth of this matter.

Mr. SCHAMBURG. But he is mean enough to get something done.

Mr. ENGLISH. I think as a panel you are all very, very good to look at this from a little different standpoint. How many people who are here today are farmers, raise your hand if you are farmers. Put your hands down. Now, how many of you who are not farmers? And now even those who are both.

This is the point, obviously whenever you look at this we find, even in this area, even in the rural area, the businessmen, the people that live in the cities and have the jobs that are from the small country towns that have grown up in the farming community, they really seem like they think they can be disengaged from this problem.

They say, well, we are all for farmers, we are for agriculture, but my livelihood doesn't depend on it.

They don't really understand the impact that agriculture has in this community or throughout western Oklahoma. We have run into the same thing, much less these folks that we have been talking about that work for John Deere or somebody else, we have 25 percent of the economy of this country that is dependent upon agriculture, and we only have probably about 2 percent of the country that understand it, and that is where the rub comes.

The Secretary of Agriculture testified last Tuesday before our committee. The Secretary laid out his program. I asked the Secretary, what do you expect is going to happen to farm prices between now and say 1991 whenever we are supposed to see this turnaround, we are going to have this changeover take place, and he said, well, he thought the prices would go down about 30 percent.

Now, that is all of agriculture. How many people do you figure if they read agriculture prices, according to the Secretary of Agriculture, they may go down 30 percent, how many people do you figure in the communities of western Oklahoma are going to understand that has something to do with them? Not many, not many, but it does, it is vital to them.

But figuring it up in this district, and I am being extremely conservative, just the Sixth Congressional District of Oklahoma, if that were to take place we would have an economic impact on the entire district of over $1 billion in 3 years.

How many little towns do you figure are going to be in western Oklahoma at the end of that 3-year period? Not many. If you drive up and down the main streets of western Oklahoma you see store after store that have shut down just in the last few years.

We are seeing more and more of that, they never made the connection, much less connecting the whole thing to agriculture policy.

I have farmers come up and tell me, well, I don't think there is really much we can do, just not a whole lot we can do, or how they don't figure this has anything to do with the farm program, but somehow all of this is just kind of happening and maybe they are becoming convinced "it's my own fault," or "maybe I'm that bad a manager."

For example, I am here to tell you today that is not the case, the bad managers have been gone 2 or 3 years, they went out on the first wave. We are down to good managing folks, and then how do they run their business, and the question of whether they are going to survive or not is a question of what is going to be contained in the 1985 farm bill, and whether the farmers themselves get in and fight for the 1985 farm bill and demand that they get a fair market.

There is no free market in the world market, but at least they can demand a fair market, and that is what I think it will come down to.

Excuse me, Mr. Chairman, I didn't mean to make a speech.

Mr. Rose. That was a great speech; I want a copy of it.

Gentlemen, thank you for excellent testimony. Let's go now to our next panel. Thank you very much. Gerald Kenedy, Mr. Gray. Mr. Kenedy's statement will be made a part of the record.

[The prepared statement of Mr. Kenedy appears at the conclusion of the hearing.]

Mr. Rose. Mr. Carroll Smith, you may take the stand.

STATEMENT OF CARROLL A. SMITH, PEANUT FARMER, LOOKEBA, OK

Mr. SMITH. Mr. Chairman and members of the subcommittee, I am Carroll Smith, a peanut producer from Lookeba, OK. I am currently serving as a member of the Peanut Administrative Committee, the industry group that administers the peanut quality control program under a peanut marketing agreement with the Department of Agriculture.

We are convinced that continuation of the present Peanut Program framework is solidly supported by the vast majority of peanut producers. The program is vitally important to the economic well-being of over 4,000 families producing peanuts in Oklahoma.

I have about three and a half pages here to read, and with the permission of the committee, I would like to summarize.

Mr. ROSE. Go ahead and summarize.

Mr. SMITH. Briefly, I would like to reemphasize the things that have been stated here earlier, particularly dealing with economics. I suggest that we do everything we can to maintain the framework of the Supply Management Program as it is so important to maintain the price.

Likewise it is very important to maintaining quality, and production that is uncontrolled will be production without quality.

Everything we have worked for, of course, would eventually go down the drain. I would like to reemphasize that we are dependent upon your committee, we are very happy that you came to our county, and if you will continue to support some form of the best Peanut Program possible under the conditions that you can rest assured you will have the support of all the peanut growing communities, not only the growers but those businessmen would be here if they had been encouraged to be at this hearing.

I think this was primarily of interest to growers today. Thank you.

[The prepared statement of Mr. Smith appears at the conclusion of the hearing.]

Mr. ROSE. Thank you, Mr. Smith. Your whole statement will be made a part of the complete hearing record, sir.

Congressman English.

Mr. ENGLISH. I think that is a good point to be made. By asking for the show of hands I did not mean to indicate that was a lack of interest by the businessmen, but I think what this does show is that I am not sure businessmen understand the direct connection of the direct plug-in.

They were not invited, and so that would be an unfair comparison, so I appreciate you clearing that up. Thank you.

Mr. ROSE. Mr. Jerry Gray.

STATEMENT OF JERRY GRAY, PEANUT FARMER, LOOKEBA, OK

Mr. GRAY. Mr. Chairman, my name is Jerry Gray, I am a peanut grower from Lookeba, OK. I appreciate you gentlemen taking the time to bring this important hearing to Oklahoma. Although I do not make many speeches and have been negligent in expressing my opinions many times, I consider the need so urgent to continue the present peanut program in the 1985 farm bill that I want to go on record today in strong support of the entire program.

It appears to me that the experience of the past few years with some crops has proven that uncontrolled production with inadequate price floors has already ruined a lot of farmers. The present Peanut Program with its two-price system controls Government cost exposure on the quota production while permitting unlimited production of additionals for export/crushing at no cost exposure to the Federal Government and taxpayers.

We must continue this type of flexible controls in the new peanut legislation and strengthen it by providing that the quota be increased to the projected domestic consumption in 1986 and provide for future increases in the national poundage quota as domestic consumption increases.

Because of rapidly escalating costs over which the growers have no control, we must have reasonable price protection on our quota production. The quota support rate provided in the current farm legislation should be closely examined and increased automatically as costs increase.

Farmers cannot continue to produce a top quality product unless they have the opportunity to make a profit. Farmers cannot continue to secure financing to produce the crop unless anticipated income exceeds expected costs.

There is no doubt that a large part of the Nation's peanut producers must have annual financing to continue to farm.

There is also no doubt that many of the steps a farmer follows to produce top quality peanuts, significantly increase his costs. The American public deserves and has been getting top quality peanuts. This cannot be compromised.

We support the provisions in the present Peanut Program which permits additional production for the export market. This is significant for those growers who are able to negotiate a contract for this market at price levels which will ensure a profit to the farmer.

Peanuts are a nutritious food. Peanuts must be harvested, handled and marketed differently than cotton and grains. There is the need for a planned production system accompanied by support prices that will make crop financing possible.

Growers through substantial sacrifices in many instances have made the very difficult transition from the old acreage allotment one-price system to the present supply management two-price program.

We feel some pride in the fact that this transition has largely eliminated Government losses on the program.

At the same time the American consumer has benefited from a predictable and stable supply of wholesome top quality peanuts at a reasonable price. We support the continuation of the present peanut program and urge your support of it.

We feel that minor modifications should be made but only within the framework of the present program. Farm programs that provide ample supplies of the commodity for both domestic and export use at negligible cost to the taxpayers are hard to find.

The Peanut Program does this. The program also involves quality assurance through thorough grading requirements and a strict quality control program. The Peanut Program is not perfect.

From the growers' point of view modifications need to be made that will strengthen the farm quota base and the quota support price.

Other fine tuning needs to be accomplished. Other industry segments apparently also want some modifications, but all modifications can and should be made under the present program structure. Otherwise, we will lose the stability that a successful Peanut Program must have.

Gentlemen of the subcommittee, my message is that the present program as we know it must be retained. Its basic concepts are sound and workable, as proved by many years performance. I thank you.

Mr. ROSE. Thank you, sir.

Mr. David Farmer, Fort Cobb.

STATEMENT OF DAVID L. FARMER, PEANUT FARMER, FORT COBB, OK

Mr. FARMER. Mr. Chairman, subcommittee members, I am David Farmer, a peanut producer from Fort Cobb, OK. In my opinion continuation of the present Peanut Program concept is a must for our survival as peanut producers.

Our message to you today is that the Peanut Program works. While the program is certainly not perfect, it has a stabilizing influence on each State, county, community and family farm involved in peanut production.

The Peanut Program has maintained farm prices and income at higher levels than would have prevailed without the program. At the same time the industry has provided a continuous supply of reasonably priced peanuts both for the domestic and export markets.

The present two-price program enacted in 1977 and continued in the 1981 act with a sharp reduction in quota production has sharply lowered program costs, but at the same time provided flexibility for the production of additional peanuts to supply export markets.

We are pleased to have regained the No. 1 position among nations supplying the world market with edible peanuts. I would like to point out what I think are some of the positive results of this 1977 and 1981 program amendments.

One, program costs has been dramatically reduced by putting a district poundage quota, a series of annual reductions in the quota has reduced the supply of CCC stocks of quota peanuts to only a fraction of the pre-1978 level.

Cost of the 1982 crop is reported by the USDA to be $4.2 million. The 1983 crop cost is expected to be essentially unchanged. As surplus stocks have been removed, the management and administrative duties of the Commodity Credit Corporation have been greatly reduced.

The two-price plan provides a vehicle for providing a continuity for supply of peanuts for export although it involves somewhat greater financial risk for growers and handlers.

Supply of peanuts to domestic consumers continued in an orderly fashion execpt for the 1980 drought cost disaster. Objections to high quota leases have been satisfied to a large degree by severe restrictions placed on quota leasing, unlimited production by all producers can be prevented by virtue of acreage allotment suspension.

Under the present program framework the price capacity for adequate supply of peanuts at a reasonable price provides an effective vehicle for which the grower can best market his peanuts, provides a means by which supply and demand can be balanced, provides flexibility for production of peanuts for export markets for more efficient growers, and provides a reasonable basis for financing for production and processing of the crops.

All of this is at minimal cost to taxpayers. We believe the basic framework of the current program should be continued in this new farm bill. We look forward to working with your committee in pursuance of the improved agriculture programs during the periods of fluctuations of the 1985 farm bill and we would like to thank you for your support in the past.

We appreciate the opportunity you have given us today to make our statement a part of this hearing.

Thank you, sir.

Mr. ROSE. Thank you very much.

Mr. Terry Shinn.

STATEMENT OF TERRY SHINN, PEANUT FARMER, CARNEGIE, OK

Mr. SHINN. Mr. Chairman, Representative English, I am Terry Shinn from Carnegie, OK. My wife and I are engaged in the farming of about 300 acres of peanuts in Caddo County. We also farm wheat, grain sorghum, and raise cattle, and I also serve as a director of the First National Bank of Mountain View, OK.

I am a member of the Caddo County Peanut Growers Association, the Oklahoma Growers Association, Southwest Peanut Growers Associates and the Farm Bureau.

Mr. Chairman, I believe the Peanut Program to be a successful farm program in its low net cost to the Government and in terms of assuring the American consumer a quality product for a reasonable price.

Peanut butter is one of the more economical forms of protein a consumer can serve their children. Representative English, I have read many of the news releases from the American Peanut Product Manufacturers, Inc.

One such news release states that U.S. consumers could save over $260 million annually if the Government returned peanut farming to a free market system. They further state that the Government's peanut price support program adds more than 10 percent to the cost of peanut butter.

I believe if the American Peanut Product Manufacturers, Inc., were really interested in the U.S. consumer they might inform consumers that there is a 60-percent savings in favor of a generic over well-known brands.

Using their figures of increasing the cost 13.5 percent equals $260 million, the 60 percent times $260 million equals $1.15 billion in savings for the consumers. The bottom line, Congressman, is not their concern for the U.S. consumer, but to squeeze one more pound of flesh from the economically crippled American farmer.

Mr. ROSE. Can I stop you right there?

Mr. SHINN. Yes, sir.

Mr. ROSE. What you are saying is that the American Peanut Producers Association releases that you have seen are saying that the consumer can save 10 percent off their peanut butter bill if you do away with the program, and you are saying they can save $1.5 billion off their peanut butter bill if they will just buy generic brand peanut butter.

Mr. SHINN. $1.15 billion.

Mr. ROSE. $1.15 billion. That is an excellent statement and I can sure make good use of that. Go ahead.

Mr. SHINN. Again to add, they are not concerned in the consumer, all they want to do is add profits to their own companies. American Peanut Products Manufacturers, Inc. talks of their psychological hangups with peanut quotas; yes, Congressman English, let's talk about producers' hangups for a change.

We are hung up with their registered trademarks, their licenses, their royalties, their franchises to increase the prices to consumers. They talk of psychological hangups.

Peanut farmers are hung up with high variable interest rates, while we try to pay for those farms that have those quotas. Peanut farmers are hung up with studies authored by Dr. Nerrill J. Bateman, the former director of commodity research and commercial vice president for M&M and Mars Bars Co., under contract to his former company and other peanut product manufacturers.

Yes, peanut farmers are hung up with some of the shellers and manufacturers who want to see the Peanut Program devastated to the likes of wheat, corn and soybeans.

We are also hung up with the shellers and manufacturers who contract acres and acres of additional peanuts outside the traditional grower areas that find their way into the domestic edible market.

We are also hung up with those who would modify section 704(j) of section VII, of the 1981 law that additional peanuts be exported or crushed. We do not believe the buy-back provision of section 704(k) of the law was intended as an escape clause for the handlers, shellers, and manufacturers to ship peanut supplies from export into the domestic market to force the price of farmers' peanuts lower.

The Peanut Program is like the United States today, it has been pushed and pressured to the brink of devastation, but the program has worked for many years and it has proven successful for all involved, the handler, the farmer, the consumer, and even the taxpayers.

I want to thank you for the opportunity of appearing before your subcommittee. Thank you.

Mr. ROSE. All right, gentlemen, those were all excellent statements and we are glad to have them for the record. I am glad Mr. Shinn focused in on our enemy here in a rather specific form. I had told some Texas peanut producers one time maybe we ought to go out and show the American consumer just how cheaply she could buy peanut butter, maybe we ought to put out pamphlets that show how you can make peanut butter in your blender at home, or something like that, and let people get back into the business of doing that. That is an excellent statement.

Thank you all very much.

Congressman English.

Mr. **English.** I would like to make one point, too. I think that they were excellent statements. There is something else, though, that is beginning to kind of creep in, and looking at agriculture, I think what we are looking at is the attack on the whole front of agriculture, all the way across the board, and this image is being projected that if we just drive down our prices we are just going to sell so much more and then everybody is going to be well off, but as a fellow brought it up the other day, who said: Well, now, if I'm going to go broke now with the present prices, how am I going to make money with lower prices?

I think that is a good point, but I think we also ought to require people who make that argument to tell us, now, how much can we expect in the increased markets if we, in fact, are going to drive down prices, and I would urge that the peanut folks take a look at that.

People are going to come in; say we are going to go with the free market, we are going to produce all these additional peanuts and everything, we are going to be going out, we are going to have a lot more markets so it is better for the farmer and it is better for the consumer.

How much more of a market are we going to have? How much more are we going to have? Wheat growers did something like that up in Nebraska recently, they even did—if you drove the price of wheat down to $1 a bushel how much more would you have to market?—they came up with maybe 300 million bushels out of 1.4. Not much, not much.

The fact of the matter is somebody has got to pay for food. And the real difficulty that we have got in this world is not that we do not have enough hungry people, it is a question of when the people have the money to buy the food.

If somebody wants to step in and make purchases and then give it to people that do not have it, that is fine, we are all in favor of that; but I do not think the American family farmer can be asked to go out and in effect give away his crops. He just does not have that deep a wallet, his bank account is not that big.

I think we ought to take a look at that and urge that people come out and say: we are going to have greater markets if we just do away with all these programs, we are going to be able to sell more at a cheaper price. The question is whether anybody can buy under those conditions.

Mr. **Rose.** Thank you, gentlemen. We will excuse you.

I will call at this time, Mr. Joe Wilson.

STATEMENT OF JOE WILSON, PEANUT FARMER, DURANT, OK

Mr. **Wilson.** Mr. Chairman and subcommittee members, I am Joe Wilson, I produce peanuts in Bryan County, OK. I am presently serving as a member of the Oklahoma Peanut Growers Association board of directors. We sincerely appreciate your taking the time to hold this hearing and giving us the opportunity to testify on behalf of peanut growers.

The policies that have guided American farmers since the New Deal era are coming under unprecedented scrutiny. One side of the debate is fueled by record high Federal payments to farmers, continuing crop surpluses that are depressing prices, and declining exports of farm commodities.

The other side is fueled by the fact that thousands of farmers slide closer to bankruptcy every day. Both sides are wondering if there is not a better way to help keep farmers in business and build a stronger American economy.

The broad outlines of the farm policy debates for the farm bill of 1985 have already surfaced. They are (1) the so-called free market advocates who want to do away with all farm price support programs; and (2) those of us who believe that the best way to curb surpluses and reduce budget outlays, while preserving family farms, is strict controls on production.

The peanut program was broadly changed in 1977 and then modified or fine-tuned in 1981 in order to meet three primary objectives, that being to reduce the cost of the program, to provide the American consumer with an adequate supply of high quality peanuts at a reasonable, stable price, and finally to help offset our balance of trade with the foreign world by exporting U.S.-grown peanuts.

I believe these objectives have been and will continue to be accomplished through the existing program.

The peanut program as it exists today is a workable program, gentlemen. It has worked and it will continue to work for all segments of the industry. From a legislative standpoint, we believe the existing program provides an effective vehicle by which the producer can best market his peanuts, provides for a means by which supply can be adjusted in order to meet immediate demand, provides flexibility for production of peanuts for export markets, and provides a reasonable basis for financing the production and processing of the crop.

An open production approach with its inherent low pricing structure is not a viable alternative for our industry. The availability and use of contracts to assure an adequate level of production would be a major problem for producers and ultimately for consumers.

In the absence of such contracts, growers would almost certainly utilize cooperatives to market high percentages of the crop to assure satisfactory returns, but here again, considerable adjustment would be necessary in assuring adequate financing, marketing and quality control.

As unpalatable as supply management or poundage controls are to some, that method has proved that it will effectively control production. In fact, production presently available for the domestic edible market is so close to demand that the surplus of such peanuts has been removed and with it the cost of the program.

The additional phase of the program provides more opportunity for the production of peanuts for the export market than any other unrestricted program could offer and with less cost exposure to USDA since the support rate for additional peanuts is set at the true market clearing level for peanut oil and meal.

At the same time the additional production provides a free reserve for any shortfall in the quota production for the domestic market. Price blending of the oil and edible market prices that would become necessary under an unrestricted program concept cannot be perfected to (1) assure ample supplies of peanuts for both domestic and export markets; and (2) assure acceptable program losses to CCC.

In conclusion, we strongly believe the 1985 farm bill should continue to include a nearly identical program as exists today with the following corrections:

No. 1, set quota at current consumption level and adjust annually to meet immediate needs.

No. 2, eliminate open-end or price later contracting, and mandate that contracted additional peanuts be exported or crushed.

No. 3, strengthen the provision for establishing and adjusting the quota support rate.

Again, I appreciate the opportunity given me to testify today and to make my statement into the record. We thank you for the assistance you and your staffs have afforded us in the past. If we may be of assistance to you, we look forward to that opportunity.

Thank you very much.

Mr. **Rose**. Mr. Vincent Coffey.

STATEMENT OF VINCENT COFFEY, PEANUT FARMER, PRAGUE, OK

Mr. **Coffey**. I want to thank you, members of the subcommittee, for asking us farmers to come here today and state some of our problems and some of our opinions. I am going to speak mostly about the Peanut Program and its accomplishments for the last 8 years.

I feel sure that you will remember in 1977 the cost was approximately $200 million for the Peanut Program. Peanut growers were told at that time to come up with something to lower the cost. The growers' association representing the peanut farmers of this Nation went to Washington in 1977 and again in 1981 with the idea of the basic program as we know it now.

The program cost in 1983 and 1984 was near zero. I hope we might compare this with any other program in America today. If everything in the budget today was comparable with the Peanut Program, then the national deficit would not only be balanced but we would be paying on the debt. What a day that would be.

How did we get to this point with the peanut program? It was not easy. First, the quota in 1978 was 1,680,000 tons compared to 1,100,000 tons in 1985, or a 34.5 percent cut in poundage alone. This actually means a 34.5 percent cut in the farmer's paycheck.

The farmers of America are not complaining because we, as farmers, have constantly asked for controls. We do not need surpluses. However, we have paid our dues and this is the reason that the cost is near zero today.

I have to wonder when we have a program that works, why we still have to fight so hard to keep it. It makes you wonder how much the administration really looks at the costs. There are those in Washington today spending tremendous amounts trying to discredit the program.

However, this is not surprising; they represent selfish interests. Congress should not be swayed by this type talk. I challenge you to look at the facts. I am also alarmed by the whole farm financial condition today.

The average farmer today is growing old. The average age is about 58 years. Who will farm the land in 1995? We have almost lost a generation of farmers now, but more important, we have lost a generation of knowledge.

The young farmer simply has had to do something else to support his family. It is alarming. Think with me just a minute, if we have a national crisis in 1995 who will feed our people? The average farmer today will be too old, there is almost no new blood coming in today because they simply cannot survive on the farm.

Remember how we were running through our energy supply just before the shortages began? Most of us thought it would never be short again. We will have cheap fuel forever; gas was in the 20 cent range at the pump. In less than 2 years it was over $1; then most of us wondered if it was really real, but 10 years later we know it was real.

America's food supply can, and yes, sir, it will be that same way just as soon as farmers grow too old. You do not educate a man to farm; he has to grow up with it, you do not educate a man to work 16 hours a day; he has to grow up thinking that it is a way of life.

Yes, I see a crisis coming in America's food supply. It is a shame because it need not be that way. I remember so well when the interest rate in America was 8 percent, the rest of the world was paying 15 and up. We are saying it couldn't happen in America, but it has.

Now we are saying that we will never have a food shortage in America, but we will. It is coming just as soon as the present farmer hits that golden age. The Peanut Program as we know it now has shown us that we can plan programs with very little cost, but it will not come by accident.

We growers have worked very hard to have what we have today. Yes, we have sacrificed, we do have to have a profit to stay on the farm, there is no other way. We all know that you as House Members have worked with us, and we thank you. We pray and hope that we can work together for a better future in America.

We both know that agriculture must play a major role if America is to continue as the best-fed country in the world; and, yes, the cheapest-fed, too.

I want to thank you for your time and attention. If there is any way we farmers can help America, just let us know. Again, it has been a pleasure speaking to you.

Mr. Rose. Thank you, sir.

Jack Coppedge from Holdenville.

STATEMENT OF JACK W. COPPEDGE, PEANUT FARMER, HOLDENVILLE, OK

Mr. Coppedge. Gentlemen of the subcommittee, I am Jack Coppedge, and I want to tell you again we sure do appreciate your time and effort to come into our area. I am out of your district, Congressman, but I appreciate what you do for the peanut growers in Hughes County.

I would like to talk about some of the problems we have had in the past and some of the problems we can solve in the future. I would like for you to think about this, there is not an industry in America or any other place that buys and operates on—everything they buy retail and everything they produce they sell wholesale. There is a big variance and a great difference there.

I wanted to get that in, we are in a dilemma. I grow peanuts in Hughes County, OK. I presently serve as vice chairman of the Southwestern Peanut Growers Association Board of Directors and I am a member of the board of Oklahoma Peanut Growers Association.

I would like to express to you our sincere appreciation for making the effort and showing the interest to be here today. I appear here today because I am vitally interested in the future of peanut farming in Oklahoma, particularly, as well as in the Southwest and also nationally.

Growers in my area of Oklahoma solidly support the present Peanut Program and urge its continuation with only minor changes in the 1985 farm bill. We think the supply management concept contained in the 1981 farm bill has now effectively eliminated Government cost exposure, and has without doubt, reduced quota production far below current domestic use.

Therefore, new peanut legislation needs to provide for a substantial increase in quota production so that handlers and consumers can be assured of an adequate supply of peanuts for domestic use. The new law should contain some mechanism providing for automatic quota increases as domestic usage increases.

We think the freedom to grow additional peanuts in response to export markets should also be continued in the new legislation.

The current price and debt crisis facing Oklahoma farmers today is the most serious problem we have experienced during the past 40 years. Not since the Great Depression of the thirties have farmers been so consistently unable to market the results of their labor for enough to cover the unavoidable costs of producing what they raise.

That is the hard fact we are facing today. This dilemma makes it abundantly clear that the peanut section of the 1985 farm bill must provide for strengthening the quota support rate mechanism in the 1981 act.

In order to secure financing—and we all must have annual financing if we are to farm—we must be able to convince our lenders that if we make a crop we can then expect to sell it at an amount in excess of our minimum costs of production.

It is as simple as that. I do not know any bankers out looking for loans which are sure to lose money when the crop is produced and sold. The price floor afforded by the 1981 act, and vital to the 1985 act, must be there when we take our peanuts to town, since we are dealing with a semiperishable, high-risk crop which cannot be held in storage for long periods of time awaiting market improvement, as is possible with some other crops.

Last, but not least, we must deal with the matter of tightening the guidelines in the marketing of additional peanuts. Additional peanuts contracted for export must be exported. A clear-cut line must be drawn between the marketing of such peanuts for the domestic and export markets.

Once peanuts are contracted for export, we must not permit a rechanneling into domestic markets. The legislative proposal of the National Peanut Growers Group will clarify such guidelines and hopefully, if accepted, will strengthen our overall program structure.

All in all, I am very proud of the record of the Peanut Program in providing an abundant supply of high quality peanuts for both domestic and export use while bringing program costs down to virtually zero. This process has not occurred without casualties.

A high percentage of small and marginal quota farms have been eliminated. All peanut growers have contributed to our program achievement by taking their lumps through quota reductions and by being squeezed by a 40 percent reduction in the real loan rate in the process.

But the Peanut Program has shown that there is room within its program structure for an effective supply management mechanism to assure supplies to domestic consumers and at the same time provide room for the production of additional peanuts to supply the export market and provide a reserve for the domestic market at no cost to the taxpayer.

The Peanut Program, contrary to public perception, is in large part market-oriented, but also has the necessary market and price stability so as to provide program predictability for both the producers, lending agencies, and the consumer.

In summary, we appreciate sincerely this committee's interest in our problems and your concern in solving them, and urge your support of the provisions for peanuts in the 1985 farm bill as formulated on our behalf by the National Peanut Growers Group.

Thank you very much.

Mr. Rose. Mr. Rickets.

STATEMENT OF ARTHUR RICKETS, PEANUT FARMER, MARIETTA, OK

Mr. Rickets. Thank you, Mr. Chairman, Mr. English. I had anticipated by this time my colleagues would have done a very good job in providing you with the merits of our Peanut Program. I want to commend them for doing so.

A few weeks ago Senator Boren was in Ardmore on a similar hearing on the credit crisis. At that point he said he would like to have a producer present him with information as to what would happen with the current farm program, including the Peanut Program, and what would happen without it, so that is kind of what I have attempted to do here today, because I think every gentleman in this room is here today because he wants to continue to raise peanuts.

I think that is his goal. We want to continue our farming operations with an opportunity to make a small profit. We want to service our present debts and to retain the confidence of our creditors. Without this we cannot have the annual financing that is absolutely essential to our production.

We want to retain the value of our specialized peanut farming equipment and we want to be able to replace that equipment when it is worn out and needs replacing. We want to preserve the value of our land that we use for peanut production where it is now.

We have seen a decline in that value and we would like to keep it from going further down.

We would like to provide our families with a sense of security based on the knowledge that there is an opportunity to remain in farming for those who are good managers.

We want to allow us as farm owners to allow future goals based on a fair price for our products. We want to plant a crop of peanuts each year with the ability to put the input into the control that is necessary for good quality because quality is very important as far as we are concerned.

We want to continue to help provide an excellent product at a reasonable price to the consumers. We want to continue to provide jobs to those who are presently employed by us.

We know that their families are affected just as ours are if we no longer have a Peanut Program. And finally, we want to continue to pay taxes to our county government, to our State government and to our Federal Government. We feel like all these things can be achieved under the present program. Without the present program, we feel like we are going to have instead these problems, we are going to have an equity loss due to specialized equipment and land being valued only at a fraction of present value.

When we purchased this equipment we paid for the manufacturing, the engineering, the expertise, the profit margins necessary. Without a Peanut Program we may well sell them by the pound. That is just what it boils down to; we may sell machinery, irrigation pipe, so forth, by the pound.

Two, we will have extremely high risk associated with the loss of price stability.

Three, there will be no hope for a profit from peanut production.

Four, we will have the inability to obtain the necessary annual credit due to the above situations. These things together may cause a probable loss of many efficient farm operations.

When you lose a farm you do not just lose a job for that farmer, you lose a business entity and all the consequences that go with losing a business entity.

We think we have a program that works well, as my colleagues before me have stated. We think it is one that deserves credibility, not criticism. We thank you for your interest in us as farmers and we urge you to do everything within your power and with your expertise to provide us with a program with merit and with value. Thank you very much.

Mr. ROSE. Gentlemen, you have all added to our knowledge here; I thank you for four excellent statements; we appreciate what you had to say.

Mr. ENGLISH. That was just the point I was going to make, Mr. Chairman; I think that we have some quality testimony; it has been outstanding.

I would simply like to commend you gentlemen for some outstanding presentations. Thank you.

Mr. Rose. Thank you, gentlemen, very much.

Mr. Price, we'll recognize you first, of the Anadarko Bank & Trust Co.

STATEMENT OF GLEN PRICE, VICE PRESIDENT, AGRICULTURE DIVISION, ANADARKO BANK & TRUST CO., ANADARKO, OK

Mr. Price. Chairman Rose, Mr. English, thank you for this opportunity, we are proud to see you from Washington out here so we can have our input.

It would certainly have not been possible for me to travel to Washington at this point. I don't want to emphasize too much that we do have a credit problem in agriculture today.

But it is dictated by the balance sheets of the farmers, dictated by the income that they have in relationship to the values that real estate input costs and other related income factors entered in there.

I want to share with you just my developing thought patterns that have come about through analyzing the situation as a banker, as a former farmer of this area, and also as what I see in the future.

I'm vice president of the Anadarko Bank & Trust here in Anadarko. Our bank has the largest ag portfolio among Oklahoma State charter banks. We chose to be ag lenders because our expertise and educational experience tells us to do what we understand.

We are further committed to agriculture because we know it is the foundation upon which our entire economy is built. It is not by coincidence that a major ag lender should be located in Caddo Country.

According to Oklahoma State University among the 77 counties in Oklahoma, Caddo County ranks third in cattle inventory, third in beef cows, ninth in sheep and lambs, seventh in wheat, sixth in grain sorghum, fifth in cotton production, third in all hay products, first in oat production, and it is first in peanut production.

Caddo County is also a State leader in production of potatoes, watermelons and other vegetable crops not reported in the OSU report. Caddo County has truly a diversified dynamic agricultural economy, but in spite of this diversity, Caddo County agriculture is depressed and real estate values continue to adjust to lower and lower net income of producers.

This deterioration of the farm balance sheet is universal. It affects those with large debt more rapidly, but even the fortunate few who have no debt do not create sufficient net profits to overcome 10 percent annual erosion of production asset values.

In the 10th district reported by bankers there was 19 percent real estate devaluation of Oklahoma real estate values last year. As much as 6 percent in one quarter. I have given a formula which I use to help understand why these things are occurring and why past inflation masks mistakes by producers and why the current deflation in these ag values amplifies any deterioration in our income.

The components of this formula which have to do with the annual net worth change are specific to each producer, and to the specific produce that we are talking about.

Annual NW Change equals Total Ag Assets multiplied by Specific Inflation Rate minus Total Ag Debt multiplied by Average Interest Rate plus Net income before interest expense.

During the 1960's inflation was positive, total debt was low in relation to total assets, interest rates were low in comparison to inflation and profits were good.

Those who leveraged their net worth were rewarded and the debt increased through these incentives. During the 1970's inflation increased, interest rates rose, net production decreased, and debt increased at a faster rate.

During the 1980's we are experiencing the so-called correction of these problems. We have diminished values for agriculture assets, negative inflation in the ag sector, huge debts, high interest rates relative to inflation, and we still experience low income due to low product prices and higher input costs.

The rapid economic corrections made in each of the three components of this formula are additive in nature and together are totally depressing the incentives to produce.

Agriculture producers are predictably responding to the dictates of their balance sheets and their income statements. The environment of the 1980's is not conducive for any agriculture producer to make capital purchases.

Cash or near cash positions are rewarded, while long-term assets are penalized. Each producer, making the proper response to the economic signals, is cutting back on expenses, and evaluating the possibility of liquidation, whether from a credit problem, or whether he might have better income in other investments.

More sellers exist than buyers, and we continue to shift down the supply/demand price scale for real estate, farm machinery, housing, fertilizer, seed, labor, repairs, fuel, electric power, entertainment, transportation, and, yes, even agricultural credit.

Only borrowers who are locked in and are desperate are currently seeking new credit for operating their farms. During the 1980's there has only been one crop in this country that has successfully buffered its producers against this recession, peanuts.

Proper administration of the Peanut Program has cost taxpayers little in return for the benefits our country has received from slower devaluation from real estate, buying local economies time to adjust to the supply-demand pressures. But, with no long-term program in sight even peanut producers are anxious.

It is probably true that the Peanut Program has maintained higher incomes to producers than if no such program had existed. This statement would have been considered constructive criticism when inflation was spiraling in the seventies, but today it rings of hope for producers and consumers alike. Domestic supplies of high quality peanut products are virtually guaranteed, and this source is more stable than for other crops without such a program.

Others have reported here today that higher incomes have been maintained through this program. I will say that we have a working program. I submit that we do on the domestic scale but that our international scene is not working for our peanut producers.

I submit that our peanut producers could help balance the trade deficit of this Nation had we not a strong dollar with which we had to compete with other nations on, and it was aptly brought out by several people.

Mr. English, I appreciate your stand on this. I believe Congress was wise when they chose to reduce the old programs in 1977 and 1981 rather than close out peanut supports over night. Our agriculture economy is vulnerable to all sorts of devastating events because it is weakened from continued outside pressures on owner equity and lowered return potentials. We must have additional time to allow more natural adjustments. The rate of the present changes make it impossible for those who may wisely choose to liquidate to do so without accelerated losses.

I would urge you to make no substantial changes in the peanut program which would further depress incomes to our local producers. We have a debt problem, but the only real cure for it is stable incomes at reasonable levels.

Congressman English, I have previously suggested to you that agriculture commodities which are largely exported, be subsidized according to the strength of U.S. dollar relative to foreign currencies. Should this subcommittee find retention of the present peanut program an impossible task, I urge you to ensure international parity for our producers in the 1985 farm program through such indexing for the peanut as well. Such a program would tend to reduce our trade deficit and thus benefit everyone in the Nation.

I think when the United States chose to float the dollar from the gold standard it floated the entire economy against the world economy. I think in order for us to return to any semblance of international fairplay we must take every opportunity to see that the way we pay our debts produce and exports offset our income—offset our imports in ways other than through credit, which is what we have now, international debt instead of international production and sales. Thank you.

[The attachment follows:]

Agriculture in Oklahoma: The *Business* of Food and Fiber

AGRICULTURE
OKLAHOMA'S HEARTBEAT

Agriculture and Oklahoma's Economy

Agriculture plays a significant role in the economy of Oklahoma. Nine percent of income and 11 percent of employment are derived directly from agriculture, while 31 percent of the state's income and 29 percent of employment are attributable to agriculture. This means that 330,000 Oklahomans receive direct economic support from agriculture and 900,000 of our state's citizens have jobs because of agriculture.

With over $3 billion per year in total farm income, Oklahoma ranks high among the fifty states in several areas. In value of production, Oklahoma is second in winter wheat, fifth in cattle and calves, fifth in grain sorghum, sixth in peanuts and rye, and ninth in cotton and pecans. The state ranks third in the nation in exporting wheat.

In addition to the traditional agricultural products, Oklahoma is developing new products and markets in agriculture. For example, interest is being shown in commercial vegetable production, the turfgrass industry in Oklahoma is increasing, and the state has a significant forest products industry, with one of the most mechanized timber harvesting systems in the world operating in Oklahoma.

Agriculture, which has played such an important role in Oklahoma in the past, has the potential to play an even greater role in the future. We are faced with both challenges and opportunities in the production of food and fiber as we search for ways to improve production and management techniques and develop new markets and products for Oklahoma agriculture.

OKLAHOMA AGRICULTURAL DATA*

Total number of farms	72,523
Total land in farms	32,369,206 acres
Average size of farm:	
Land	446 acres
Market value of land, bldgs., machinery	$343,751
Market value of products sold	$ 34,886
Total cropland	14,213,548 acres
Total woodland, including total woodland pasture	2,070,258 acres
Other pastureland and rangeland	15,192,012 acres
Land in house lots, ponds, roads, etc.	893,388 acres
Irrigated land	492,077 acres
Farms by type of organization	
Sole proprietorship	90.7%
Partnership	7.6%
Corporation	1.2%
Other	0.5%
Tenure of operator	
Full owner	57.5%
Part owner	31.8%
Tenant	10.7%
Average age of operator	51.9 years

(1980) Persons with income directly from agriculture - 330,000

(1980) Persons with income attributable to agriculture -870,000

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*Census of Agriculture, 1982

RANK OF AGRICULTURAL COMMODITIES IN U.S. BY VALUE OF PRODUCTION*

All Wheat	3
Winter Wheat	2
Grain Sorghum	5
Rye	6
Cotton	9
Peanuts	6
Pecans	9
Cattle and Calves	5
Hogs	27
Sheep and Lambs	27
Chickens Raised	24
Eggs	25
Milk Production	28

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*1982

CASH RECEIPTS FROM FARM PRODUCTION*

CROPS	
Winter wheat	$ 752,284,000
Cotton lint	111,005,000
Cottonseed	8,367,000
Peanuts	40,582,000
Hay	35,023,000
Soybeans	32,292,000
Grain Sorghum	39,965,000
Corn, grain	7,838,000
Barley	646,000
Oats	2,012,000
Rye	1,249,000
Others	33,258,000
FRUIT AND NUTS	
Pecans	2,086,000
Others	5,544,000
OTHER PRODUCTS	
Forest Products	128,400,000**
Greenhouse, Nursery	28,754,000
LIVESTOCK	
Cattle, calves	1,727,838,000
Dairy Products	165,606,000
Hogs	42,609,000
Sheep, lambs	2,697,000
Wool	354,000
Chickens	936,000
Broilers	53,473,000
Eggs	50,000,000
Turkeys	14,447,000
Other livestock	32,337,000
Total all Crops	$1,109,795,000
All Livestock	$2,090,297,000
Total all Commodities	$3,200,092,000

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*1982

**Based on estimated 1981 total of forest sales, including both private and commercial sales.

A Comparison of Agricultural Efficiency

	United States	Soviet Union	Brazil	United Kingdom	Mexico	France
Percent of population in production agriculture	2.1%	15.8%	37.4%	2.0%	35.2%	8.2%
Percent of personal income spent for food	12.7%	33.7%	41.0%	17.3%	40.0%	18.5%
Food and fiber trade balance	$24.7 billion	– $15.2 billion	$6.9 billion	– $8.1 billion	– $1.2 billion	$3.6 billion
Minutes worked to earn 1 lb pork	17 min	40 min	31 min	14 min	33 min	18 min
Minutes worked to earn 1 lb bread	3 min	8 min	4 min	2 min	3 min	2 min
Minutes worked to earn 1 doz. eggs	5 min	73 min	14 min	11 min	11 min	8 min

Source: Agriculture Council of America Education Foundation, Inc. 1984

Research and Education

Agricultural producers are the first to benefit from public investment in agricultural research and education. The benefits occur as increased output and/or improved farming efficiency resulting from adoption of new technologies. There are two ways of quantifying this return. A University of Minnesota study of Oklahoma's agriculture shows that each dollar invested in agricultural research and education will generate $5.00 of agricultural income; this can also be quantified as an annual rate of return of approximately 35 percent for a 15 year period. But the increase in agricultural output also has a rollover effect of three to one in its effect on the total state economy—or $15 in retuns for each dollar of agricultural research and education.

While the benefits accrue first to agricultural producers, the consumers are the ultimate beneficiaries who realize the benefits in the cost of their food. This point is proven by comparing the percent of personal income that the U.S. population spends on food. U.S. citizens spend only 12.7% of their personal income for food, while citizens in the Soviet Union spend 33.7%. Even Japanese citizens spend 21.5%, the Chinese spend 60%, and the French spend 18.5%.

Benefits that may accrue first to production agriculture will eventually have an even greater impact on meeting people's need for food and fiber. National studies by respected scientists show $2.00 of public benefits from each $1.00 spent for agricultural research and education. Distributions from such benefits heavily favor people of lower income. People of low income receive $12.00 of benefits from each $1.00 of tax money spent on agricultural research, while high income families receive $1.20 of benefits.

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Mr. Rose. Thank you, sir. Mr. King.

STATEMENT OF FLOYD L. KING, FARMER, HYDRO, OK

Mr. King. This morning, on CBS World News, President Reagan made a statement at a luncheon that he had over the weekend, that statement was, and I believe this is verbatim, Mr. Chairman, and Glenn, I believe that we need to keep the grain and export the farmers. That was made this weekend, yesterday.

While that sinks in just a little bit, it throws light upon many facets of our position in agriculture.

Mr. Hopkins. Could I interrupt you?

Mr. King. Yes.

Mr. Hopkins. Under what context, who was he talking to and what else did he say?

Mr. King. It was a speech relative to promotion of the MX missile. It was on the channel 9 TV this morning.

It has to do with this, the philosophy, all of my life, Mr. Chairman, and Glenn, and your colleague, Mr. Hopkins, all of my life and all of the lives of these people right here there has been a philosophy that agriculture could do no less.

That philosophy has existed all down through the ages. It started out being exemplified and becoming more clearly identified years ago whenever they said parity was an obsolete issue and so they began to move the parity down from 90 percent, years ago, down to 85 and down to 80 and so on until now parity is down in the fifties for our farm products.

I think that it is definitely high time that Congress identify themselves with what they want agriculture to be, not next year, not at the end of the 4-year program, but what in the world do you want agriculture to be?

Do you want it to be like the steel industry, do you want it to be like General Motors, do you want it to be identified with the employees of the Federal Government who get almost an increase of wages basis?

President Reagan made the statement last fall, I hope you people don't ask anymore than a 4-percent raise, talking to the Federal employees. What do you want agriculture to be? Do you want us to come before you every 2 years, or every 4 years to say we are in trouble, we need this, we need that? Does Congress want that? I don't think so.

I think Congress itself should put the pencil down on the paper and say in 1980 and 1995 and the year 2000 where will agriculture be, what are we going to do, are we going to develop another 4 year program when another administration comes in and says that program was wrong and we are going to put another one up here.

In 1977, Glenn, I would say that 30 percent of the people who sat right here in this room today was against the change in the program. We struggled, struggled, struggled, because the administration said you must reduce the cost of this program.

There are some of us who worked on that so long, and through heated debates and the program finally became effective, Mr. Hopkins, and now the new administration is asking that this program that these people went through all during that time is wrong.

Are you asking these people here to go through another big change now and destroy their Peanut Program and go on to the open market that has absolutely no guarantee whatsoever of any security?

Mr. ENGLISH. Floyd, could I interrupt you for just a moment?

Mr. KING. Yes.

Mr. ENGLISH. The point I want to make very clearly and I think it was brought out by Ed Jones when he talked to the President last Thursday, the approach we have always taken in agriculture and the Agriculture Committee has been totally bipartisan. We have disagreed as members before but totally bipartisan, and that continues to be the point.

I think the proposal that the Secretary of Agriculture made is one that is not favored by any of—I shouldn't say any, very, very few of the members of the Agriculture Committee, whether Republicans or Democrats, and I think that is something that certainly needs to be understood and I think that is particularly true when you start talking about individual commodities, that is where most members come down and start asking the question how is it going to affect my farmers.

Mr. KING. I did not mean any personal reference to Mr. Hopkins nor any members of the committee.

Mr. ENGLISH. I know you didn't.

Mr. KING. Testifying before the Agriculture Committees of the House and Senate in times past over the last 25 years there is an outstanding thing that has not occurred that by my book is one of the reasons why we find ourselves in the position we find ourselves in today, in all of the years trying to work on the Peanut Program and running back and forth to Washington for the last 25 years, there was one time that I heard an agribusiness individual, and I'm talking about a manufacturer now of chemicals, fertilizers, tractors, combines, doesn't make any difference what it is, metals or chemicals, testify for a good farm program, not one time.

You people from John Deere that were here a few minutes ago, I have talked to different people at different conventions, implement companies, so forth, asking that the agribusiness community go down to the House Agriculture Committee, to go down to the Senate Committee, and say these farmers are our bread and butter, pass a good farm bill.

Now it is time that we as dealers of farm equipment say to the manufacturer that we buy the equipment from, you support us if you want us to sell some of your goods. I will follow that statement by this to the effect that, Mr. Chairman, I've been in business for 31 years, one of the first irrigation wells that was ever put in this area I put it in in 1950.

I have sold irrigation equipment since 1954, I also sell peanut harvesting equipment and other farm goods as well as hardware; I also have 200 to 300 acres of peanuts, wheat, cotton, cattle, so on, I know wherewith I speak from a business standpoint.

I'm also a director of this bank that Glenn has just got through talking about for the past 10 or 12 years, and I have been past president of all the peanut organizations in this State, and first president of the National Growers Group that was formed back in the 1970's.

I don't say that with any hope of identification to those, I say that because I know what the businessman is in for. I know what this group has gone through here in Oklahoma. I know what they have gone through in Georgia and those other States. Don't destroy the program, don't follow Block's recommendation, even though I think he really down deep thinks of it differently than the President.

The Office of Management and Budget has such a hold on Congess, Glenn, they have such a hold on Congress, they have such a hold on Secretary Block that Secretary Block doesn't make agricultural decisions, the Office of Management and Budget, Mr. Stockman makes them, and that is too much power to leave in one position, and Congress, I think, should recognize that.

Someone said one time I think that this quota system is the most terrible system that ever existed. Why do you, Glen Price, or you over here have a reason to think you should plant a quota and this little man over here not plant it.

I ask you this, who gave the taxi driver in New York or Washington the franchise to drive taxicabs? Do you think we could come up there in the morning and start driving taxicabs in Washington, DC?

Mr. Rose. Let me ask you something. I appreciate what you said about the influence of Mr. Stockman and others on Mr. Block, but I knew a fellow one time who had a drinking problem and they said he was ruined by women. Mr. Block has got to assume some responsibility for his actions. I think he belongs down at the Department of Defense where they need to have somebody who knows how to cut budgets, and we ought to get Mr. Weinberger over in Agriculture.

Mr. King. I appreciate that comment, that was well taken.

Mr. Rose. But we can be so nice to these people sometime, we excuse them from all responsibility. And you didn't really mean that, I know.

Mr. King. Oh, no, I didn't mean that. I would make one other comment. This, I think, has been a habit, Mr. Chairman. I don't know why it has been that way, but generally speaking when you hold a hearing in Washington, the Senate or the House, either one, and we sit like we sit today and the first people who get up here and testifies, I'm last on the list, and that's good, but the first people who speak at those Agricultural House and Senate hearings in Washington, who is it, the Secretary of Agriculture, and 9 times out of 10, Glenn, his individual who he has sent down there, his representative, or himself, after he gets through and the producers come up here to start testifying, you look around and see where he is, where does he go when the producers start testifying, the Secretary of Agriculture or his representative take off.

And I said one day up there, I said why in the world don't you stop this hearing and ask the representative from the USDA to be down here, to hear our side, to know what we go through in regard to these problems. Maybe it will throw them a little bit. I want to go back to the reciprocity. I recommended that the program be initiated years ago, that we have tit for tat and that we pay attention to what Dolese is doing in Europe, and let's put it into effect.

It is high time that this Nation, it is high time that the administration, whether they be Democrats or Republicans, take care of home. Dr. Bennett who used to be the head of Oklahoma State University years ago when I was a child, almost, was sent to Ehtiopia when Hile Silasse was Emperor of Ethiopia, and he taught those people, Mr. Rose, how to farm and he died over there doing it, and what do you see in Ethiopia today, you see a pro-Russian Government and on TV every night you see what has happened to the farming. They are in desperate conditions. I say this, that this peanut program was 1.4 million or something like that, whatever that it is relatively nothing, from a cost standpoint, would be paid back tenfold if they would quit teaching other nations like Brazil and Argentina to grow peanuts and soybeans and let the Japanese come down there and buy the land and they farm them and then we lose the exports to Japan. The buy-back, program, Glenn, I don't know whether you people on the committee fully understand that or not, I'm going to say that you do, but I'm also director on Gold Kist and have been for 22 years, they have not initiated the buy-back in the southeast area, but already this year, and I doubt very much if there is 50 percent of the farmers who in this building today realize what is happening. There is a provision where those people can buy these products back and actually end up with about $400 to $470 or $480 a ton in Spanish peanuts or runners. That is less than what they have to pay for quota so on the buy-back program they put it back into the domestic trade and it looks like right now from the last estimate of a board meeting that I attended just 2 or 3 weeks ago that it would be, Glenn, almost 50,000 tons already contracted for 1985 crop in the southeast, and you peanut growers who are here, if you don't know what they are contracting, I'll tell you, Spanish peanuts.

And Spanish peanuts went out of production in the Southeast 5 or 6 years ago. There wasn't hardly a single Spanish peanut but, because Spanish peanuts now have new varieties that are better and also there is a little bit of upgrade on the demand for them—what that is going to do to this Southwest area, and since this hearing is in the Southwest area we must take note of it, it can destroy the Spanish peanut in the Southwest area which includes Mexico, Texas, and Oklahoma.

This is important, Glenn, because when that happens, when they get enough Spanish peanuts in the Southeast and they already have plenty of runners why move their plants or improve their plants out here?

Those people who are in the shelling business right now who are from the Southwest area are going to have those plants for sale if this continues. A domino effect is terrible. There was a man who came in, wanted a package of 3M glue from one of my stores, I said all right, I'll go get it, it is a tube, Mr. Rose, about that big, of glue, simple glue, and he said how much is it, I said a bushel and a half of wheat. Do you know that little tube of glue was only 8 inches long. Buy the glue at any hardware store, $4.20. This idea of $3.30 wheat is appalling and throughout Congress there is an idea that they have done a lot of good to agriculture whenever they increase the price of wheat 10 cents a bushel. That is terrible. I want to talk just a second then I'll be through. The philosophy that we can do on less in the minds of most urban Congressmen and Senators satisfies them whenever they give you 10 cents a bushel and the farmer staggers back home with empty hands. I say the best solution to the agriculture situation that exists today is for our Congressmen to take the bull by the horns and go at it from an offense standpoint.

I say let's go up there with a bill that increases the price of wheat, increase the farm commodity, including peanuts, 30 to 35 percent, on the support rate and set the extra production that you have on peanuts at a price that serves no cost to the Government, put it at a dollar a bushel if you want to, put it at something that the growers could grow something for foreign consumers, have a two point system for all commodities, high support rate for domestic use, stop imports that ruin it and set the additional production of wheat, additional production of peanuts on the same basis that the peanuts are on right now, keep the Peanut Program as it is, best commodity program in existence.

The peanut producers have earned their title to the program, they have struggled to the point and I say that we right now will—do not know just what the situation we are going to be in if the administration gets their way, and our store, we have a file of all our customers, practically everything they have bought since we went into existence, we are averaging with our customers we are averaging one bankruptcy a month.

If you want to know how many other people are going out of business in the largest bank in the country we can supply that information. It is a struggle to finance agriculture in the bank and this banking industry it is no secret it is in terrible, terrible condition.

I want to go into that, but they are certainly some reasons that we all know.

Mr. Hopkins. Mr. King has put the hay down where the calves can get it.

Mr. Rose. Gentlemen, thank you both for your excellent testimony, and a lot of insight. I feel this has been an excellent hearing and we have gotten a lot of good information here. I certainly will go back to Washington with a brand new feeling about how sensitive this area is to these production controls and to the price support levels. I think you are going to find that our subcommittee—because we want to increase the national quota and we want to increase the support level if we possibly can, we are going to look at all those things very carefully. We want to keep you in business and we want to keep you strong and looking positively for the future and not looking at a negative future. Glenn, any comments you want to make?

Mr. English. I simply want to thank you, Mr. Chairman, you and Congressman Hopkins, for taking your time to come down here and listen to the problems that we have in this region of the country.

I think by the same token I would wholeheartedly agree with you we have had some excellent testimony, that this subcommittee is far better off than we were before as we look toward the new 1985 farm bill and I would simply like to say to those of you who are farmers that the peanut subcommittee, I think you would find has always been very sympathetic and we have tried to be very supportive and I think you are going to see that attitude to continue certainly with Chairman Rose who has been tremendously supportive of the program and trying to work with difficulties that farmers have and Congressman Hopkins is one of our real allies as well and I look forward with great optimism with dealing with the peanut program in the 1985 farm bill, I'm looking forward to making a few minor adjustments here and there and seeing if we can't improve this bill a little bit.

Thank you, Mr. Chairman.

Mr. HOPKINS. Mr. Chairman, I would like to make just a couple of points, if I may. I think everybody recognizes the fact that we have a deficit in this country. I think everybody here will do their part about it. It is not a Republican deficit, it is not a Democratic deficit, it is our deficit, you can line up however you want to line up, it belongs to all of us and all of us are ready to do our part. I talked to Mr. Block as a Republican in my office, so you will know where I'm coming from, about his agricultural proposal. I told the Secretary that in my view his proposal reminded me very much of the baker who thought that he could cut his overhead costs by making larger holes in his donuts. You can't do it that way, and that is what his proposal does remind me of, Mr. King.

You mentioned something about your struggle you have in financing with the local banks, I would simply close by telling you a very brief story that I was told by one of my local bankers. One of our local farmers went in to see the banker with one of these good news-bad news stories, and he said to his local banker, he had some good news and bad news for him, and the banker said, well, let me have the bad news first. He said you know all that money I owe you, I owe this bank, I can't pay it back. The banker said, that is bad news. He said, you know, all that interest that I owe you on this note, I can't even pay you the interest. The banker said, well, that really is bad news. He said, what is the good news? The guy stuck his hand across the desk and said I'm going to stick with you 1 more year.

I simply state to you there are those of us of all stripes politically that are going to stick together 1 more year, whatever it takes, because it is that important.

Mr. ROSE. Thank you all very much for coming, we appreciate your testimony and your presence. Thank you.

This hearing stands adjourned.

[Whereupon, at 12:45 p.m., the subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

STATEMENT FOR HOUSE AGRICULTURE COMMITTEE HEARING
Subcommittee on Peanuts and Tobacco
Conducted by The Honorable Charlie Rose
and the Honorable Glenn English
9:00 a.m., March 25, 1985
Anadarko, Oklahoma

By Dee Keeton
Route B, Box 260
Kingston, OK 73439

Sir, My name is Dee Keeton. I am a peanut farmer from a small, rural community S.W. of Kingston, Ok., past Chairman of the Oklahoma Peanut Commission, and Chairman of the Marshall County, Oklahoma, Democratic Party.

Peanut farming is a way of life across Southern Oklahoma. Peanut farmers have always existed under Government assisted programs. We cannot understand why our program is attacked every 4 years when the cost of it is insignificant to the government. Current USDA figures reveal that during Fiscal Year 1984 the peanut program cost the United States Government $1,167,000. Compared to the total federal budget we amount to a mere drop in a very large bucket. Our program works so well that we are the envy of other farm commodity groups which have uncontrolled production and inadequate price floors creating "boom or bust" situations that have ruined a lot of farmers. It is almost certain that Loan peanuts will make money this year, thus reducing the FY '85 program cost to zero. Peanut farmers have willingly made the transition from an almost complete governmental subsidy in the late '60s and '70s to a well-oiled supply-management program in the '80s. We didn't think it was possible, but we learned to live with a two-price supply-management system wherein the U. S. Consumer is assured of a good supply of a high quality, nutritious product and the export market has an abundant product that is unmatched in world trade. Even though other countries raise export peanuts you only have to look at their product to realize how good ours is. During 1984 I had the opportunity to personally inspect and taste peanuts raised in China and Indonesia and I have no doubt that ours are better!

Since our peanut program falls into the category of a "Government Subsidy" as far as the media, the public and Congress is concerned, we became an immediate target in early considerations of the 1985 farm bill. My message to you today is that the Oklahoma Peanut Growers Association and the Oklahoma Peanut Commission are in complete agreement with policies formulated by the National Peanut Growers Group which is the official policy setting organization of all U. S. peanut growers. Some slight modifications and fine tuning would make our program compatible with domestic policy with little, if any, cost to the taxpayer. We want to continue the quota base, but it should be increased as needed to keep up with domestic consumption. We cannot understand why anyone would want to tamper with a program that works so well, costs so little, and helps so many farmers. Statements have come out of the Reagan Administration stating that agriculture was going to have to take its cuts along with every thing else. We wonder how, or why, do you cut something that doesn't cost anything". It almost seems like that someone is out to get us and we don't know why. Agriculture is being asked to take more than its share of buget-balancing cuts.

As far as farming in general is concerned, we are confused. Prices we get for our products do not pay for costs of raising them.

During the nationally televised presidential debates less than one minute was devoted to farm problems, yet, when Congress convened the evils of governmental intervention in the lives of farmers was one of the first topics brought up as a means of federal budget reduction. One urban Congressman remarked early on in the new session that those farmers that were so far in debt and needed to borrow more money to continue should be sold out so better managers could take over. The government could then take the money that would otherwise be spent on "bad farmers" and create new jobs in town where they could "earn an honest living". This kind of thinking is wrong. Family-farm units are the most productive, cost-efficient type of agricultural operations. American family farms are a vast, food-producing machine that can feed much of the world if allowed to operate at a profit. Budget Director Stockman's recent comments about farm businesses not being worthy of further federal assistance are totally asinine. Instead of being "sent to the woodshed" for making them, as he remarked, perhaps he should be sent to the gallows.

We know that the federal deficit is too great and the Reagan Budget is too expensive - and we don't have solutions that would produce any real results. We do know that our farm products don't bring in enough money to balance our budgets and pay our debts. Last month I checked prices at some local agricultural dealers and I couldn't find anything that costs less now than it did last year. Furthermore, a 10-year price differential check reveals even more startling figures. Ten years ago a 120 H.P. John Deere Tractor cost about $20,000. Today, the same tractor costs about $50,000. Most of us can get along without a new tractor, fix up the old one, and get by. But, we still have to plow our land and simple things like 16-inch moldboard plow-shares cost $15.71 in the 1985 John Deere price book. The same plow shares cost $4.00 in 1975. Although most of us can't afford a new tractor this year all of us will have to plow our land and we will have to buy those $15.71 plow shares. I don't see many reductions in the costs of fertilizer, seed and ag-chemicals. Someone also apparently forgot to tell our bankers that the prime-rate has gone down because bank interest is still about the same as it was last year. We can't pay that kind of money for plow shares and interest if we don't get more money for our crops.

Farmers are a unique kind of businessman. We pay retail prices for tractors, plow-shares and chemicals, then we take our crops to market and take whatever the warehouseman will give us for them. We are totally without bargaining power on both ends. No other business operates that way. Until we can either buy those plow shares wholesale and demand and get retail prices for our products we will continue to go further in debt.

We hear economists say "Get the Government out of agriculture" so farmers can operate in a free market and expand foreign trade. I interpret this as meaning "encourage fence to fence planting so that there will be so much wheat, soybeans, and peanuts that the people who buy them can get them cheap and the U. S. Government will have cheap bargaining levers to use in world foreign trade policy." After all, food is America's Oil in world trade. It is about all our nation has to bargain with and it has to be cheaper and more abundant. A free market situation in agriculture is an economists pipe-dream. I interpret an ideal free market as one in which I can sell my goods competitively, at a fair price. In reality a free market is one in which I take my products to market and give them away - free.

The people who buy our peanuts and turn them into peanut butter and peanut candy would like everyone to believe that farmers are ripping off both the government and the consumer and are, in turn, getting ripped off themselves by not being able to raise all the peanuts they want. The American Peanut Product Manufacturers, Inc. (APPMI) says that farmers can raise peanuts for 15 cents/lb. USDA Publication ECIFS 3-1 concerning production costs shows the minimum break-even price of producing peanuts in 1983 as 18.2 cents/lb, excluding land and replacement costs. With those factors added in the cost of production is 22 cents/lb. These are the USDA's own figures and yet they want to phase out peanut price supports over the next few years so that we won't be "burdened" with government intervention. A local peanut sheller told me last week that if peanut price supports are eliminated we will sell peanuts for less than 15 cents/lb. Even the best USDA economist can't make those figures work out a profit for the farmer. The AMPPI has instant access to the media and enough money to buy full-page ads in the Washington Post. Not everything they say is true, and they don't care as long as a Congressman or a consumer reads it and believes it.

A few years ago I attended Senate Ag. hearing in Washington, presided over by Senator Talmadge. Mr. Jimmy Mack, counsel for the Peanut Butter Manufacturers and Nut Salters Association, gave a passionate plea for lower peanut prices. He was asked the direct question "If you could buy peanuts a nickel a pound cheaper would you guarantee that peanut butter would go down a nickel a pound in the grocery store". He could not be forced to say that peanut butter would be any cheaper regardless of how much less peanuts cost. All this leads a lot of us to believe that the price of food in the grocery store does not have much to do with the cost of the main ingredient. A 40-cent Snickers candy bar contains less than 2 cents worth of peanuts. By law, a pound of peanut butter must contain at least 90% peanuts. At the present commercial peanut prices paid by manufacturers, this translates into 45-50 cents worth of peanuts in a 1 lb. jar of peanut butter. If we gave our peanuts to the manufacturers you certainly would not see Snickers bars selling for less than 40 cents and it is doubtful that the price of peanut butter would go down over 15 cents a pound. We all know that the wrapper on a loaf of bread costs more than the wheat in the bread, yet farmers are portrayed as villians to Mrs. Housewife who is convinced that we are making a killing off of the family's paycheck.

Sir, "it just isn't so.! We humbly ask you to help us in the coming months of arguing about farmers and farm prices. We don't have many answers to the multitude of questions that might be asked, but, as one sage put it, "farmers are in a hell of a mess until a barrel of oil is worth a pair of new bib overalls and as long as a bushel of wheat won't buy a shave and a haircut at the barber shop". Last week I went in men's store in a local shopping mall to buy a dress shirt. A medium priced, all- cotton shirt cost $44.00. I told the clerk that it was a "Heck of a note" when cotton was bringing 60 cents/lb. and shirts cost $44.00. He didn't disagree. Instead of buying the shirt I paid $22.00 for a 4 oz. bottle of Polo aftershave lotion, figuring that it was better to smell good than look good. However, most of us would like to have a bigger share of the $44.00 shirt and undoubtedly would jump at the chance to sell corn as corn whiskey for $22.00 a half-pint. Jack Daniels ought to take a few lessons from Ralph Lauren!

We know we can't borrow our way out of the mess we are in. More loans to put in crops that will be sold at a loss is not the answer. We must have the money to put in the crops and then be able to sell them for enough money to pay the loan and the interest and have something left to live on until next year. We object to the credit rug being jerked out from under us all of a sudden. If better times are coming Mr. Reagan should be willing to make it possible for us stay around long enough to enjoy them.

All of us here today thank you very much for providing a forum for our ideas. We appreciate your kind consideration.

STATEMENT TO HOUSE AGRICULTURE SUBCOMMITTEE ON TOBACCO AND PEANUTS, ANADARKO, OKLAHOMA FIELD HEARING, MARCH 25, 1985

Mr. Chairman and members of the Committee, I am Carroll Smith, a peanut producer from Lookeba, Oklahoma. I am currently serving as a member of the Peanut Administrative Committee, the industry group that administers the peanut quality control program under a Peanut Marketing Agreement with the Department of Agriculture.

We are convinced that continuation of the present peanut program framework is solidly supported by the vast majority of peanut producers. The program is vitally important to the economic well being of over 4,000 farm families producing peanuts in Oklahoma.

Some of our counties, like the one we are in now, boasts a production level above the national average, but most of our counties have average yields somewhat below the national average. Our production costs therefore are higher than those experienced in some other places. That fact notwithstanding, we believe the Southwest area makes an important contribution to the U. S. peanut industry. Our production pattern is more varied than the other major areas. We produce both Runner and Spanish peanuts in quantity and, of course, New Mexico produces the Valencia peanut.

Because our production costs are generally higher than in other major production areas, our growers may feel the cost-price squeeze before it is felt elsewhere, but Southwest producers are not the only ones who are saying we need a quota price adjustment in the 1985 Farm Bill. As this Committee knows, the Department of Agriculture in 1980 projected the national average peanut production cost for 1981

Statement presented by Carroll Smith, Lookeba, Oklahoma to be $526 per ton. It is totally unrealistic to believe that the cost of producing peanuts has increased only $24 per ton over the past three years. Yet the Department did not see fit to increase the quota support rate last year. The $9 per ton increase recently announced by the Department, of course, is less than a token adjustment.

Though there may have been easier ways to accomplish an end, the provisions of the amended peanut program of 1977 and 1981 have resulted in increased efficiency at the farm level. In 1977, the last year of the "old" peanut program, Department of Agriculture records showed 75,000 allotment farms. In 1984 the Department records show 57,000 quota farms, a decline of 24 percent. Of the 24 percent reduction, over one-half have been eliminated under the category reductions spelled out in the 1981 Farm Bill. The penalty for continued leasing away of farm quotas has resulted in most of the quota losses. Much of the remainder disappeared as small and/or marginal quotas were sold to avoid being lost. The end result is that 24 percent of the small and/or marginal farm quota operations in the nation have been voluntarily or involuntarily conveyed to and combined with viable farm production enterprises. That transition is going to continue to occur. The end being achieved is that intended by Congress in 1981 of placing peanut quota in the hands of producers, but more significantly, there apparently is occurring a dramatic move toward increased production efficiency as marginal operations are consolidated into workable production units. The reply of peanut growers to those who accuse the program of fostering "garden plots" is that the 1981 Farm Bill has zeroed in on mass elimination of such farming operations.

Our point in focusing attention on the quota transition is to stress that any problems with peanut production inefficiency are being alleviated through the process of attrition, hurried along for sure, by the quota category reductions in the 1981 Farm Bill. Dramatic changes in the production of quota peanuts are occurring not only in the Southwest, but across the entire peanut belt.

We believe the peanut program is working, but can and should be made more effective for the growers. Its supply management framework will permit a strengthening in a place or two that would be very helpful.

In looking toward a peanut program for the future, we are convinced that marketing quotas and an adequate support price are essential, not only to maintain marketing order and stability for a semi-perishable, high risk commodity, but also for preservation of other time tested values. These include:

(1) Financing - The price support, supply management concept is basic to adequate crop financing for growers

(2) Quality - Our present very effective quality control program is tied directly to the two tier price support program reinforced by sharp penalties for violations and meaningful rewards for compliance, both of which are instrumental to a successful endeavor, and

(3) Budget Restraints - Crop production which is supported at reasonable price levels must be controlled in order to meet cost guidelines. The most costly crop surpluses are those with low loan rates and little or no production restrictions.

Peanut growers have endured significant changes over the past seven years. In terms of dollars, the growers' support price has been reduced about 20 percent; his farm quota has been reduced about 50 percent; his acreage allotment has been suspended and 24 percent of the quota farms have been eliminated.

At a minimum, the national poundage quota should be increased beginning in 1986 and the quota support rate must be established and adjusted in a more realistic manner.

In closing, we wish to thank the Committee members for coming to the Southwest to listen to our comments on the peanut program. We appreciate the contributions that members present today have made in the past to retain a workable program. Without your leadership, there would be no meaningful program. We look forward to a continued pleasant and productive relationship with your Committee.

Larry E Busking

Larry E. Busking
Mgr., Kaddo Equipment Company, Inc.

Mr. Chairman, I am Larry Busking, Manager and co-owner of Kaddo Equipment Company, a John Deere dealership in Carnegie, OK. Of my total trade area, roughly 25% is suitable for raising peanuts. However, nearly 50% of all my sales are to farmers who grow peanuts. Because of this dependancy on peanut farmers, I am very concerned about the peanut program in the 1985 Farm Bill.

In order to sell farm equipment, the farmers need to see two things - profitability and stability. Profits are needed to pay for the equipment and stability is needed to make the proper decision on what equipment is justified and needed. The large capital outlay that is required for current farm equipment is staggering and cannot be justified for one year at a time. The life expectancy for most equipment sold is far longer than the four years that each Farm Bill is in effect. The uncertainty surrounding the peanut program for the next four years has certainly had an adverse affect on my business for the past several months.

The peanut program now in effect has certainly provided these two necessities - profitability and stability - at a very low cost to the taxpayer. It is also providing an adequate and stable supply of quality peanuts at a very reasonable price for the American consumer. When comparing the peanut program to the programs we have for cotton and wheat, it is easy to see that the peanut program is far superior for the producer as well as the taxpayer. It appears to me we would be in a much better position today if these other two commodities had controlled production and adequate price floors in their programs also.

My business, and nearly every other business in the small town of Carnegie, depends on the profitability of area farmers to support our businesses. When the farmers profits suffer, the local businesses certainly suffer also.

The peanut program which is currently in effect has provided a fair amount of profit to these farmers in the past. I urge you to keep the program in the same format in the following years. The basic concept that made it a good program in the past still hold true today.

Thank you for allowing me to speak with you today.

JACK. McLEMORE, President
GENE OGLESBY, Vice-President
PEARL RAY, Secretary

EMIL LARSON, Director
DAVID MOG[illegible], Director
GERALD KENE[illegible], Manager

COOP

FARMERS UNION CO-OP GIN
"It's Your Gin — Why Not Use It"
EAKLY, OKLAHOMA

U.S. House of Representatives
Committee on Agriculture
Subcommittee on Tobacco and Peanuts
Room 1301, Longworth House Office Building
Washington, D.C.

Dear Sir:

The Eakly Farmers Co-op is only one of ten buying points in Caddo County where approximately 30,000 acres of peanuts are grown. The buying point is the first stop for farmers at harvest time. They receive the peanuts however they are harvested, bag, bulk, wet, or dry, and pay the farmer for his peanuts.

Our buying point is owned by the farmers of this area. They have over one million dollars invested in warehouses and peanut handling facilities. Last year we purchased peanuts from 128 growers of about 10,000 acres, 14,890 tons, or value of $6.8 million dollars. This is only about one-third of the total for Caddo County.

Peanuts put money back into the economy in many different ways. This occurs through wages, fertilizer sales, chemicals irrigation, equipment, aerial application, natural gas, propane, and electricity. Last year we paid out $120,000.00 for fuel and power to dry and handle peanuts. Chemical sales were over 1 million dollars and fertilizer sales were 2.6 million. All of this was not just for peanuts, but most of it was. Here again I am speaking of only one-third of the county. Freight costs alone to move the peanuts to shelling plants would have to be over one-half million dollars. A lot of this is done by local truckers who buy fuel, tires, and all this gives people jobs who pay taxes, send their children to school, support the churches and make a living in America, the number one place to live.

The farmer is responsible for these jobs mentioned above. Yet after he provides these jobs, pays these bills, little is left for the farmer to make a profit, support his family or send his children to school. I would hate to think how it would be for Caddo County to be without peanuts. Sure, we can grow other crops. We have plenty of water, and with fertilizer and chemicals, there is nothing we can't grow, but unless there is a profit, when it is all said and done, it won't work. Irrigation cost alone last year for peanuts in most cases was well over $100.00 per acre.

Unless you live in rural America, you don't know just how bad it is. This week I was in a meeting with Farmland Industries and other cooperative managers, and it is sad to hear what is happening to farmers all over the state of Oklahoma. Drive down main street in any rural town in Oklahoma and see how many closed signs you see on what used to be a good business.

In the 1st sixty days gasoline and diesel have gone up 8 to 10¢ per gallon. The retailer and wholesaler have been absorbing the cost, but fuel costs are going up and they are even talking about a shortage. I think we will see $1.00 farm fuel cost for diesel by harvest time.

I would like to have testified in person, but an appointment with a doctor in Oklahoma City made it impossible. There is a lot to be said, about how important the peanut program is to the growers in Caddo County and I am sure you will get the message from others on the program.

Sincerely yours,

Gerald Kenedy

Gerald Kenedy
Manager
Farmers Co-op Gin
Eakly, Oklahoma 73033

F41

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Southwestern Peanut Shellers Association

10 DUNCANNON COURT
DALLAS, TEXAS 75225
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STATEMENT BY JOHN LOCHRIDGE
ON BEHALF OF THE SOUTHWESTERN PEANUT SHELLERS ASSOCIATION
BEFORE THE
COMMITTEE ON AGRICULTURE, HOUSE OF REPRESENTATIVES
ANADARKO, OKLAHOMA
MARCH 25, 1985

I AM JOHN LOCHRIDGE, REPRESENTING THE SOUTHWESTERN PEANUT SHELLERS ASSOCIATION. OUR MEMBERS APPRECIATE THE OPPORTUNITY TO PRESENT THE VIEWS OF OUR GROUP ON THE UPCOMING PEANUT LEGISLATION.

THE SOUTHWESTERN PEANUT SHELLERS ASSOCIATION INCLUDES THE PEANUTS SHELLERS IN TEXAS, OKLAHOMA AND NEW MEXICO. OUR MEMBERS BUY PEANUTS FROM GROWERS, DRY, CLEAN, STORE, SHELL , SIZE AND GRADE, AND SELL THEM TO MANUFACTURERS OF PEANUT PRODUCTS. IN ADDITION, OUR MEMBERS ASSIST THE DEPARTMENT OF AGRICULTURE IN CARRYING OUT THE PEANUT PRICE SUPPORT PROGRAM BY HANDLING LOANS AND MAKING STORAGE FACILITIES AVAILABLE FOR LOAN PEANUTS. MOST OF OUR MEMBERS ARE SMALL BUSINESSMEN. ALL OF OUR FACILITIES ARE IN SMALL TOWNS IN PEANUT PRODUCING AREAS.

OUR MEMBERS BELIEVE THAT THE PRESENT PROGRAM SHOULD BE CONTINUED. THERE HAS BEEN SOME VERY POSITIVE RESULTS FROM THE PRESENT PROGRAM AS FOLLOWS:

1. PROGRAM COST HAS BEEN DRAMATICALLY REDUCED BY PUTTING IN PLACE A STRICT POUNDAGE-QUOTA. A SERIES OF ANNUAL REDUCTIONS IN THE QUOTA HAS REDUCED THE SUPPLY OF CCC STOCKS OF QUOTA PEANUTS TO ONLY A FRACTION OF THE PRE-1978 LEVEL. COST OF THE 1982 CROP IS REPORTED BY USDA TO BE $4.4 MILLION. THE 1983 CROP COST IS EXPECTED TO BE ABOUT $5.5 MILLION.

2. CCC'S MANAGEMENT AND ADMINISTRATIVE BURDENS WITH RESPECT TO HANDLING AND DISPOSITION OF CCC PEANUT STOCKS HAVE BEEN GREATLY REDUCED.

3. THE TWO-PRICE PLAN PROVIDES A VEHICLE FOR CONTINUITY OF SUPPLY OF PEANUTS FOR EXPORT, ALTHOUGH IT INVOLVES SOMEWHAT GREATER FINANCIAL RISKS FOR GROWERS AND HANDLERS.

4. SUPPLY OF PEANUTS TO DOMESTIC CONSUMERS HAS CONTINUED IN AN ORDERLY FASHION EXCEPT FOR THE 1980 CROP DISASTER DUE TO WIDE-SPREAD DROUGHT.

5. OBJECTIONS TO THE LEASING OF QUOTAS HAVE BEEN SATISFIED TO A LARGE DEGREE BY SEVERE RESTRICTIONS PLACED ON QUOTA LEASING.

6. UNLIMITED PRODUCTION BY ALL PRODUCERS IS NOW PERMITTED BY VIRTUE OF ACREAGE ALLOTMENT SUSPENSION.

OUR MEMBERS OBJECT TO THE ADJUSTMENTS MADE IN THE METHOD OF DETERMINING COST OF PRODUCTION. THESE ADJUSTMENTS ARE UNREALISTIC AND RESULT IN A FIGURE SIGNIFICANTLY BELOW THE COST THAT WILL PERMIT MANY FARMERS TO CONTINUE IN PEANUT PRODUCTION.

THERE SHOULD BE SOME UPWARD ADJUSTMENT IN THE QUOTA SO THAT IT APPROXIMATES THE DOMESTIC EDIBLE CONSUMPTION AND SEED REQUIREMENTS.

OUR MEMBERS FEEL THAT A FEW OTHER AREAS NEED ATTENTION IN OUR PRESENT PROGRAM:

1. PENALTIES FOR REIMPORTATION OF PEANUTS SHOULD BE ASSESSED ONLY AGAINST THE IMPORTER AND NOT AGAINST THE ORIGINAL HANDLER.

2. ELIMINATE THE NECESSITY FOR THE USE OF SUPERVISION WHEN SHELLING ADDITIONAL PEANUTS WHILE NOT OPENING THE GATE TO ALLOW SWITCHING OF SHELLED GOODS GRADES BY SHELLERS. SWITCHING OF GRADES IMPACTS ON BOTH EXPORT AND DOMESTIC MARKETS IN A MANNER WHICH FAVORS ONE AREA OVER ANOTHER. THE SUPERVISION IS AN EXPENSE WHICH CAN BE ELIMINATED AND STILL MAINTAIN THE INTEGRITY OF OUR PROGRAM.

3. THE BUY-BACK FEATURE OF THE PROGRAM MUST BE REWORKED. IDEAS ARE BEING DISCUSSED AS TO HOW TO DEAL WITH THIS ISSUE. OUR MEMBERS ARE NOT UNANIMOUS IN THEIR THOUGHTS ON THIS SUBJECT,BUT DO AGREE THAT CHANGES MUST BE MADE.

WE WILL CONTINUE TO OFFER SUGGESTIONS AS TO WAYS TO IMPROVE ON THE PROGRAM WHICH WE PRESENTLY HAVE THAT WILL ALLOW EACH SEGMENT OF OUR INDUSTRY TO REMAIN A VIALBE PARTICIPANT.

THANK YOU FOR TAKING THE TIME TO ALLOW US TO EXPRESS OUR VIEWS AS THIS INDUSTRY IS VERY IMPORTANT TO EACH OF US HERE TODAY.

GENERAL FARM BILL OF 1985

(Peanut Program)

TUESDAY, APRIL 2, 1985

House of Representatives,
Subcommittee on Tobacco and Peanuts,
Committee on Agriculture,
Washington, DC.

The subcommittee met, pursuant to notice, at 10 a.m., in room 1300, Longworth House Office Building, Hon. Charles Rose (chairman of the subcommittee) presiding.

Present: Representatives Hatcher, English, Whitley, Tallon, Thomas, Stenholm, Hopkins, Roberts, Franklin, and Combest.

Also present: Representative E (Kika) de la Garza, chairman of the committee; Representatives Ray, Valentine, Sisisky, Rowland of Georgia, and Dickinson.

Staff present: Robert T. Lowerre, associate counsel; Mark Dungan, minority associate counsel; Peggy L. Pecore, clerk; Bernard Brenner, Joan Teague Rose, Heidi Pender, and Rick Kirchhoff.

OPENING STATEMENT OF HON. CHARLES ROSE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. Rose. The subcommittee will please come to order.

We are delighted to have so many of our old friends here today to testify about the future of the Tobacco Price Support Program—the Peanut Program. You see what I've been thinking about this morning. [Laughter.]

I wish tobacco was in as good a shape as peanuts. The Peanut Program has brought a great deal of value—in my opinion—both to the people that grow it and to the people that use it. The program has provided a good supply, a constant and dependable supply, of high quality peanuts which has enabled the American public to expand their consumption of peanut products as never before.

We are honored to have a group of very loyal and supportive Members of Congress here who will make some opening comments for our hearing today. I would first like to call on the Honorable Richard Ray, Member of Congress from Georgia, a real friend of the Peanut Program, someone who not only supports the program but who goes out and helps us find the necessary votes on the floor to get the legislation that we need. We are going to depend on him a whole lot this year.

Congressman, we are honored to have you with us and will hear anything you have to say.

STATEMENT OF HON. RICHARD RAY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF GEORGIA

Mr. RAY. Mr. Chairman, I am delighted to be here this morning and to appear before your subcommittee where some of my esteemed Georgia colleagues sit, and we are proud of that. We are mighty pleased to have the Commissioner of Agriculture Tommy Irvin, and the Farm Bureau president from Georgia, Bob Nash, here today.

Mr. Chairman I want to thank you for allowing me to testify before your subcommittee this morning on such a critical and important issue as the Peanut Program. You have many expert witnesses before you today. Therefore, for the sake of time my testimony will be short.

At the present time there are over 9,000 actual peanut producers in the State of Georgia, and many of these producers are my constituents. When you add the people who work in the areas of handling and processing, as well as those who work in the chemical and seed businesses and in the rural banks, you can appreciate the extreme importance this industry has on the State of Georgia and particularly on south Georgia. When all the multiplier effects are taken into consideration, this industry means over $1 billion to my home State. Mr. Chairman, roughly one-half of the peanuts grown in the United States are grown in Georgia, and more are grown in Mr. Hatcher's district, the Second District of Georgia, than any other place in the Nation.

As you know, the present Peanut Program is one that has been carefully fashioned over the past 10 years through the cooperation of the committee with all segments of the peanut industry. The result has been a program that works to the benefit of everyone in the industry as well as the American consumer. It shows that the Federal Government, working in conjunction with the private sector, can fashion a Federal program that did what it was intended to do at very little or no cost to the American taxpayer. It has been a success story.

The program was changed dramatically in 1977 and fine tuned in 1981. Those changes have allowed an adequate supply of quality peanuts for domestic edible consumption, while at the same time allowing competitive quality peanuts to assist in developing our foreign markets. The present program allows producers to make a decent return on their investment and, most importantly, it allows them the ability to obtain financing for their peanut and other crops. Destruction of the Peanut Program as we know it would only exacerbate the extreme economic problems now being experienced in the agricultural community throughout the United States.

In discussing the administration proposals with my constituents, I have become convinced that the recommended changes would create economic havoc in my district. I have heard no great outcry from my consumers that they are paying too high a price for peanut products, but I have heard a great outcry from my constituents who work in the peanut industry as to what would happen if the program was destroyed.

Mr. Chairman, despite the success of the peanut program, there are many facets of agriculture which are not working. In short, American agriculture is in a desperate situation. As we approach a new century, many of the 600,000 farmers who produce food, whose average age is 50 years old, will not be around.

Yes, Mr. Chairman, I said 600,000 farmers. That is all that is left of this vital lifeline of America, and I doubt that these farmers are encouraging their children to enter the field of agriculture because it is too discouraging. I have a grave concern that, by the time we enter the new century, America's agricultural pipelines which have always worked so well may begin to dry up, and our famous surpluses may be gone. It is not impossible to conceive that this country will have to import the majority of its food at some point in time.

Recently, 19 specialized farmers and agribusiness people from the third district of Georgia joined me in a letter to the President requesting that he convene a forum or commission, such as the Greenspan Commission which rescued Social Security, to examine the long-term solution to our agricultural problems. I am pleased to report that the administration has exhibited interest in forming this commission and has requested that Congressman Ed Jones, a member of the Agriculture Committee, and I submit a list of people from the various fields of agriculture and agribusiness with whom the administration can counsel regarding this idea.

In addition, I am going to be introducing, along with a number of my colleagues, a resolution that expresses the sense of the Congress that the President ought to convene such a forum. Now, Mr. Chairman, such a commission, if established, would do well to consider the success of the Peanut Program which has worked so well.

In conclusion, let me reemphasize that the Peanut Program works for every segment of the industry. It provides financial support for the growers, but not at the expense of American consumers and this country's taxpayers. Its destruction would create an economic crisis among my producers in Georgia, and I implore this committee not to change a smooth-running program just for the sake of change.

Thank you again, Mr. Chairman, for allowing me the time to testify. I pledge my time and efforts, as you suggested at the beginning of your comments, in assisting this committee in any manner to continue this program, particularly on the floor of the House of Representatives.

Mr. Rose. Thank you very much for your statement and your support. As I said earlier, we appreciate your being here.

Any questions or comments from members of the panel?

[No response.]

Mr. Rose. Thank you very much, sir.

I want to ask Mr. Valentine, would you allow Mr. Sisisky to make a short comment? He has a committee meeting, if you are able to yield to the younger Member from Virginia here.

Mr. Valentine. I certainly would yield to the gentleman.

Mr. Rose. OK. Mr. Sisisky.

STATEMENT OF HON. NORMAN SISISKY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. SISISKY. I would thank my elder colleague from North Carolina, and of course my younger colleague who is the chairman of this distinguished subcommittee. Mr. Chairman, I want to thank you for the opportunity to appear before you today.

I also want to commend you for the efforts that you have made to focus attention on the plight of American farmers, both in the Southeast and throughout the entire United States. In the final analysis, farm problems are not exclusive to just one or two regions or one or two commodities. Farm problems are faced by the majority of producers of almost every commodity, whether they be producers of livestock, grain, tobacco, or peanuts.

Today this subcommittee is focusing attention on the problems faced by peanut producers, and although I represent peanut producers in the Fourth Congressional District of Virginia, I am not going to take up much of your time because the people I represent are here and they can speak for themselves about the problems they face.

Mr. Chairman, I would ask for unanimous consent that my remarks be put into the record, but I just wanted to say a couple of things. Last week—and I think Mr. Thomas was at the meeting, and Mr. Stenholm—a very high-ranking member of this administration in the Department of Agriculture made a statement which I think sums up the total problem. He made a statement: "We can reduce support programs and we can get our farmers competitive, and within 5 years we can get all of our export trade back."

I asked the question, out of my naivety, I said:

> Well, if the cost of production is just going to go up with inflation in the next 5 years, give me an economics lesson and tell me how, when the cost of production in most instances is higher than the price the farmers are getting for it, who is going to be left in 5 years to compete in export market?

You know, he couldn't answer the question, and I think there is the crux of the problem, Mr. Chairman. All of us want a free market, but it can't happen overnight.

I want to close by saying that everyone at this hearing, I am sure, understands farm problems. I believe that our goal is to create a farm bill in 1985 that makes sense and that moves us down the road to a free market environment in a responsible manner. We won't do that by pulling the rug out from under some of the best and hardest working people in America. We will do it by listening to the farmers who are with us today and by paying close attention, Mr. Chairman, to your wise counsel and leadership.

I thank you again for this opportunity to be here.

[The prepared statement of Mr. Sisisky appears at the conclusion of the hearing.]

Mr. ROSE. Mr. Sisisky, your entire statement will be made a part of the record. I want to thank you for being here. You have invited me to your district. I had a very good day with you and your peanut farmers last year down in the area of your district that touches North Carolina.

You know that we're going to have a fight on our hands this year with the administration talking about doing away with the

Peanut Program, but with people like you, and Tim Valentine, and Richard Ray, and Roy Rowland, and Bill Dickinson, I think we can keep the program that we've got now and hopefully make it stronger.

We all want peace and happiness in the peanut family, but there was no answer to the question that you asked the administration official because they haven't put a pencil to what they are trying to do. I was talking to some economists from OECD several weeks ago in Europe and they were saying: "Oh, the one thing the Europeans fear the most is that the Americans are going to cut their prices and take away the world markets, and the subsidy will be very expensive to the European governments." Well, you were looking at the other side of that. The answer is, nobody is going to be able to afford to cut their prices to the extent that the administration is anticipating.

I thank you for that excellent statement. We will count on you being in the trenches with the rest of us for the farm bill. Thank you.

Mr. SISISKY. I promise you that.

Mr. ROSE. Thank you very much.

The Honorable Tim Valentine, Member of Congress from North Carolina. You represent the heartland of the North Carolina peanut country. We thank you for being here and for showing your interest in the same thing that we are all interested in, and that is the continuation of a fair and workable Peanut Program. We are glad to have you and look forward to anything you might have to say.

STATEMENT OF HON. TIM VALENTINE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. VALENTINE. Mr. Chairman, I appreciate this opportunity very, very much. I will undertake to condense or summarize the prepared remarks which I have, so as to not trespass unduly on the limited time of this subcommittee.

Mr. ROSE. They will be made a part of the record.

Mr. VALENTINE. I hope my friend Norman Sisisky is still in the hall, but he's a busy man and he has probably gone on to his next station. I just wanted him to hear me say that within the past couple of months we sent from my office a 1-pound can of fine roasted North Carolina peanuts to all the Members of Congress, and in keeping with the spirit of cooperation that exists among those of us from the Southeast, those peanut for some reason carried—in addition to the statement that they were manufactured, produced, and so on in North Carolina—they were described as "extra large Virginia-type home-style peanuts."

I got a lot of mail from that, which shows how this commodity is universally admired, even a letter from a member of the other party—that is, the Republican Party—in which he said that he and his staff enjoyed peanuts more than any other foodstuff that came to them, any other confection, and he said that it must be the elephant in them. Maybe we can get their help when the time comes to be sure that we continue the program which is now in existence.

Mr. Chairman, as you know better than anybody else here, the State of North Carolina ranks third in the Nation for peanut production, shelling, and processing facilities. There are 9,300 farms comprising approximately 157,000 acres of land averaging 150 acres per farm in our State. This represents approximately 2,900 pounds of peanuts per acre and generates revenues of over $125 million for the State of North Carolina.

The Peanut Program, Mr. Chairman, works. The current program has reduced Government outlays by 90 percent for the cost of the program since 1977, resulting in a cost savings of over $500 million. Additionally, the program has allowed the United States to become the No. 1 exporter of edible peanuts. Another outstanding statistic from the State of North Carolina is that one-third of our peanuts are shipped to the world for their enjoyment, and another one-third of our total production is exported, so to speak, throughout the United States—that is, from North Carolina to the other 49 States.

The Peanut Program has also allowed new growers to grow and sell peanuts, which has resulted in an abundant and stable supply. To guarantee this steady supply, peanut production has been spread over three separate areas of the United States, thus protecting peanuts from the vagaries or weather and diseases.

Though stringent quality controls have been in place to benefit the consumers, the farmers have avoided boom and bust agriculture for peanuts. In contrast, the administration's proposed program would eliminate the production control and support price and replace them with a target price. The U.S. Department of Agriculture, as I understand it, has estimated that the administration's proposed program would cost $75 million the first year. The current program, however, can be operated at least 15 years for what the administration's proposal would cost the first year, according to the Peanut Growers Association.

Hundreds of small towns and communities depend on peanuts as a base of their economy. In Halifax County in my district and in Northampton County in the First Congressional District of North Carolina, 30 percent of all of our State's peanuts are grown. If the administration's farm policy for 1986 is adopted, I am afraid of what might happen to these basically rural east North Carolina communities.

In closing, Mr. Chairman, let me say that with budget matters being the priority for this Congress, the growers have a sound defense for this program. I believe that this administration will continue asking for sacrifices from many groups as a new farm bill and a new Federal budget are prepared. Peanut farmers have already made sacrifices over the years and they deserve to be able to retain their program. Please know, Mr. Chairman, that I stand with the peanut growers 100 percent in support of the program, and pledge my assistance in every way possible.

I appreciate very much this opportunity to come and express these thoughts to you and the other members of the subcommittee.

[The prepared statement of Mr. Valentine appears at the conclusion of the hearing.]

Mr. Rose. Thank you, Tim Valentine. We respect your abilities and are counting on them to help us in the fight for a fair and workable Peanut Program. We do appreciate all that you do for us and the program, and look forward to working with you as we approach the farm bill. Thank you very much.

Mr. VALENTINE. Thank you, Mr. Chairman.

Mr. ROSE. At this time I would like to recognize the chairman of the House Agriculture Committee, the Honorable Kika de la Garza, in whose district peanuts also are popular and plentiful. We had a very interesting and enjoyable hearing in the chairman's district several months ago, and a visit that will not be long remembered—not be long forgotten. [Laughter.]

What I was thinking of at the same time I said that was that the place that you had us to spend the night, I saw them moving it on TV the other day, but that wasn't because we stayed there.

Mr. Chairman, we thank you for your interest in peanuts and we recognize you for anything you would like to say.

REMARKS OF HON. E (KIKA) de la GARZA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

The CHAIRMAN. Thank you very much.

I don't want to take time from the witnesses, but I want to welcome all of my friends in the peanut business—producers and representatives—and assure you of our interest. We have had some problems along the line but with a lot of effort, cooperation, and good will from the administration, we may be able to help the peanut farmer as we try to help all of the agriculture community. I have made many friends, Mr. Chairman, throughout the South, and I wanted to take this opportunity to pledge my cooperation.

A special welcome to the commissioner of agriculture from Georgia. We are always happy to have representatives of our States with us.

Thank you, Mr. Chairman.

Mr. ROSE. Thank you, sir.

Any comments by members of the subcommittee at this time?

[No response.]

Mr. ROSE. If not, we want to welcome the Honorable William Dickinson, Member of Congress from Alabama, another great friend of the peanut producer and the Peanut Program. We hope you were here and heard what Mr. Valentine had to say about Republicans eating peanuts. Maybe you can expand on that a little bit, but we certainly enjoyed our peanut hearing in your congressional district. That, too—I'll say it right this time—was a trip that will be long remembered. We look forward to coming back to Alabama again, and we welcome you to the frontline of the effort to convince the administration and the Congress that we need a good, strong Peanut Program. We have assigned Bill Wampler to you, 100 percent. He's your responsibility.

You may go ahead.

STATEMENT OF HON. WILLIAM L. DICKINSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ALABAMA

Mr. DICKINSON. Thank you, Mr. Chairman. If I could keep him on a leash, it would be all right.

Mr. Chairman, I have a prepared statement which I have submitted, to be printed in the record.

Mr. ROSE. Without objection.

Mr. DICKINSON. I will condense my statement in the interest of time.

Let me say how much I appreciate the courtesy extended to me in appearing here today and also when the committee came to my district to hold a field hearing, which is very, very significant to my farmers and the people in the district. It was very well attended by the members of this committee. As a matter of fact, we had more appearing in Dothan than we have here this morning, so I think we got our message over.

I think, in listening to the testimony previously given, that most of the points I would like to make have been covered. We do need a program for our peanut farmers and, as far as my personal interest is concerned, I have 13 counties in my district and, just coincidentally, peanuts are grown in 13 counties in my State and I represent each one of them. About 20 percent of the total national production comes out of Alabama. Mr. James Earl Mobley, who is here this morning, is the executive director of our peanut producers association and will also be testifying.

I think the most cogent and pertinent point that can be made has been made, and I would just like to reemphasize it. The proposal, as I understand the administration's peanut bill, is going to cost about $75 million. We have put in place over the last couple of years a good peanut program that has been negligible in cost. If we tamper with it, if we change it substantially, I think it will not inure to the benefit of either the peanut producer or the taxpayer. I think it needs some fine-tuning, perhaps, in certain aspects, but basically I think we've got a good program and I would like to see it continue.

I don't want to see additional costs to the taxpayer. I know that there are areas where subsidies are very costly and where we've got to effect economies, but this is not one of them. I forgot who the famous American was who said it, but I'll repeat it: "If it ain't broke, don't fix it." I think that's probably the situation that we have here.

I do appreciate your interest, Mr. Chairman, and this subcommittee's interest in the program as a whole. I appreciate your coming down and visiting with us in what we call the wiregrass.

[The prepared statement of Mr. Dickinson appears at the conclusion of the hearing.]

Mr. ROSE. Yes, sir.

Mr. DICKINSON. We enjoyed it. I hope you did, too. If we made a good enough impression, perhaps you'll come back sometime soon.

With that, if you have any questions I will be glad to try to respond.

Mr. ROSE. Your statement is a part of the record in its entirety, as are your comments. We thank you for your support of the Peanut Program. We saw how important the program was when we were at the Wiregrass Experiment Station in Alabama for our hearing, and we are going to give to you the responsibility of a great deal of missionary work among the brethren on your side of the aisle who are not as enlightened as you are about things peanutty.

You don't want to comment on whether or not the elephant in the Republicans is what makes them like peanuts?

Mr. DICKINSON. Elephants are very fond of peanuts, Mr. Chairman. That is my recollection, and we'll see, if there is some education that needs to be done on my side of the aisle I'll certainly join with you in seeing that it is done. I think that we can point to the program as it has been administered for the last couple of years as an economy in Government and a savings to the taxpayer and a producer of revenue, rather than a net drain on the taxpayer, and that's what most of the people on my side of the aisle are interested in. I thank you very much, Mr. Chairman.

Mr. ROSE. Thank you very much.

Any comments from the subcommittee?

[No response.]

Mr. ROSE. Thank you, sir, for being with us today.

Is the Honorable Roy Rowland here at this time?

[No response.]

Mr. ROSE. If not, I would like to briefly read into the record a statement from the Honorable Walter B. Jones. He said:

> Mr. Chairman, I want to thank my colleagues and other witnesses for their fine and informative testimony.
>
> The old saying, "If it ain't broke, don't fix it" directly applies to the peanut program. In my opinion, this commodity program is the best example of how the Federal Government and an agriculture industry can work together to ensure economic stability and an adequate supply of the product at a fair price to the consumer.
>
> Since 1977, Federal outlays for the peanut program have decreased by 90 percent. Under the current program, American peanut growers have become the world's largest exporters of edible peanuts. Most importantly, this program has provided a stable economic environment for the peanut industry at a minimum cost to the taxpayer. We have avoided the boom and bust cycle which frequently hits the agricultural industry.
>
> Mr. Chairman, I fully support continuation of the peanut program in its present form. Certain areas of the program can be improved but the majority of the program does not need to have major changes.

Signed, "The Honorable Walter B. Jones."

I am trying to give Mr. Rowland a little more time to get here, but in the interest of the orderly conduct of the hearing, I am going to ask the Honorable Tommy Irvin, the commissioner of agriculture for the State of Georgia, if he will come forward and take a seat.

We are always glad to hear you. We enjoy your hospitality when we are in Georgia. As usual, you have brought us some words of wisdom which we will be glad to hear.

STATEMENT OF THOMAS T. IRVIN, COMMISSIONER, GEORGIA DEPARTMENT OF AGRICULTURE

Mr. IRVIN. Thank you very much, Mr. Chairman.

My office supplied you copies of the comments that I would like to go into the record.

Mr. ROSE. Yes, sir.

Mr. IRVIN. I would like to say we always appreciate having you come to our State. We certainly appreciate the excellent speech that our most excellent Chairman de la Garza made at our Peanut Day in Georgia recently. I had the pleasure of telling him I thought it was one of the greatest speeches I had ever heard him make, and I have heard several. I think he certainly got right into the heart of the thing as far as the problems we are confronted with in rural America.

I am going to reminisce just a little, if I can, and maybe depart a little bit from some of the things that I have in my text. I just last week was in the State of Illinois and the State of Missouri, and I find in my visits with my colleagues and other agricultural leaders in the other regions of the country that this business about agriculture being on the ropes is a true fact, and it's not a problem that is unique to any one region of the country. It's a national problem.

I reminisce back to the first year that my good friend, Jack Block, served as our Secretary of Agriculture. I had the privilege of speaking at our annual meeting of the Georgia Farm Bureau Federation, and I made the statement at that time, the biggest challenge I thought we in southern agriculture, in the Peanut Belt, the Tobacco Belt, the Cotton Belt, and other regions would have is trying to educate him to what our programs really mean to American agriculture. I'm still trying that educational process. I don't know how much luck I'm having.

On two recent meetings with him, I have tried to convince him rather than to support the theory that the Peanut Program should be dissolved, that it should be used as a criterion for some of our other major commodities. I sincerely believe that the concept that surrounds the Peanut Program could very well be used as model to help us with many of the other major commodities that cost our Federal Treasury so much money today.

I would be repetitious if I got into the fact that peanuts is a cost-effective program. That has already been eloquently stated to you, but I'll say it again: If it's not broke, why fix it, because it is a program that's costeffective, and certainly the focus of America is on Congress today to try to find ways to keep our programs cost-effective. I say again, the Peanut Program can be used as a guide for other major commodities.

Needless to say, as has already been said to you by our Congressman from Georgia, peanuts is agriculture in our State since we produce such a high percentage of the Nation's supplies. Anything that adversely affects this commodity is going to certainly have a profound effect upon the survival of many of our farmers in our State at a time when there should be close attention given to trying to devise a method where a man can survive on a farm.

I have long been an advocate of the Peanut Program because I believe it to be one of the few Federal commodity programs that has worked, and worked well. As I said earlier, it's costeffective. It has assured an adequate domestic supply of peanuts at a reasonable cost. It has been flexible enough to allow sufficient peanuts to supply export demands, and the Peanut Program has allowed good managers to make a fair profit on their product, a right that should be afforded all good farm managers.

In fact, this is a program that works well enough, as I said, that I have recommended it to the Secretary and to my national colleagues, that it be used as a road map for other major commodities. The two-tier system that is now in existence in peanuts is beginning to get a little bit of attention, at least in the areas in which I work with my counterparts on the national level. I am hopeful that it will catch on and can be used as a road map to turn things around.

I guess one thing I cannot understand, the manufacturers who use peanuts have a stake in what happens with this program, but frankly I am appalled that it has drawn opposition from the utilizers of peanuts. Manufacturers should support this program because it assures an adequate supply of peanuts at a reasonable cost, allowing manufacturers an orderly production flow for their products. I have little sympathy for a manufacturer—and I read this in a national publication—who wants to see the program abolished because it would afford him a little extra margin so he can pay for the packaging costs of his product.

If we allow our farmers to fail, then I think all of America would fail. I find in my vision of the agriculture community throughout the world, that all other countries of the world hold agriculture in very high esteem. They are willing to do whatever is necessary to make sure that that man can stay on the farm. Since we in America have one of the most efficient agricultures in the world, I think we should expect no less for our farmers.

In summary, I strongly urge you to let this program stand, with some small change. I recommend a modest increase in the quotas in order to make them sufficient to meet domestic demands.

Thank you very much, Mr. Chairman.

[The prepared statement of Mr. Irvin appears at the conclusion of the hearing.]

Mr. ROSE. Commissioner, we are always glad to hear from you and have you on our side. I would certainly hate to be in a farm battle with you on the other side, sir, and I am delighted that we do work so well together on this committee.

Are there comments or questions by members of the panel?

Mr. DICKINSON. If I could prevail, I would like to add one little light side. It's a little common thing that's going around in the South and I think it may catch on in other parts of the country. It is kind of said like this: "Last year there was such a stampede for farmers in rural America to get on President Reagan's bandwagon, afraid they were going to be left behind, they forgot to ask him where he was going." [Laughter.]

Mr. ROSE. Thank you, sir.

At this time I would like to put in the record a statement from Hon. Wes Watkins, Member of Congress from the Third District of Oklahoma.

[The prepared statement of Mr. Watkins appears at the conclusion of the hearing.]

Mr. ROSE. I would like to welcome to our witness table Hon. Roy Rowland, Member of Congress from Georgia.

We are glad to have you as one of the friends of the program and part of our team, and we certainly are glad you could be with us today. We will hear whatever you have to say, Roy.

STATEMENT OF HON. J. ROY ROWLAND, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF GEORGIA

Mr. ROWLAND. Thank you, Mr. Chairman and members of the subcommittee. I really do appreciate the opportunity this morning to speak up for a program which has been an unqualified success from the standpoint of both producers and consumers.

Recently, farmers from throughout Georgia's Eighth Congressional District attended a series of public forums that I sponsored to discuss the severe problems that we have encountered over the past several years. Many of the farmers complained about Federal programs that have not worked the way they were intended to work. Some programs may have hurt our exports. Others have contributed to surpluses rather than reduced them, and some have given too much money to producers who do not need nor deserve Government help and not enough to those who do. Many have been too expensive for taxpayers. and not helpful enough for farmers.

However, the Peanut Program was praised highly by everyone. It is one farm program that has helped provide a stable economy for producers while costing the Government virtually nothing. It is absolutely mind boggling to the farmers in my district, Mr. Chairman, to learn that the administration is proposing to destroy one of the few Government programs that is working efficiently. I was listening to my own commissioner of agriculture talk about how there are many farmers who feel that perhaps some programs for other commodities ought to be patterned after the Peanut Program. Of course, what is taking place is a classic case of trying to fix something that isn't broken. It really defies common sense.

Georgia is the No. 1 producer of peanuts in the United States, supplying 45 percent of all the country's peanuts. Georgia's peanut growers had a particularly good year last year, producing their highest yields per acre, their largest total output, and receiving their greatest total return. Needless to say, peanuts are vitally important to the economy of my State and my own Eighth Congressional District.

I'm sure any program can be improved, and perhaps there are parts of the Peanut Program that do need some fine tuning, but I urge that you keep the existing Peanut Program essentially intact and assure a reasonably secure future for at least one segment of our farm community.

Thank you for the opportunity to be here this morning, and I'll be glad to answer any questions that you might have, Mr. Chairman.

Mr. ROSE. Roy, I don't have any questions but I want to compliment you on your statement and thank you, in front of your producers from Georgia, for being such a good friend of ours in this program. We are going to have a lot of work ahead of us, and you and all the other members who have testified this morning are certainly going to be important to what we do. We thank you very much for being one of us.

Mr. ROWLAND. Thank you, Mr. Chairman.

Mr. ROSE. Any comments from members of the panel?

[No response.]

Mr. ROSE. Thank you very much, Roy.

Mr. Rowland. Thank you very much.

Mr. Rose. At this time I would like to call Hon. Richard Goldberg, the Deputy Under Secretary for International Affairs and Commodity Programs, U.S. Department of Agriculture, accompanied by Mr. Dallas Smith and Mr. Jim Davis. Glad to have you back at the subcommittee so soon.

Mr. Goldberg. You didn't give me time to get lonesome, Mr. Chairman.

Mr. Rose. That's right. You may proceed as you desire. We're glad to have you.

STATEMENT OF RICHARD W. GOLDBERG, DEPUTY UNDER SECRETARY, INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS, U.S. DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY JAMES M. DAVIS, DIRECTOR, TOBACCO AND PEANUTS DIVISION, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE, AND DALLAS R. SMITH, DEPUTY DIRECTOR

Mr. Goldberg. Mr. Chairman and members of the subcommittee, I am delighted to be here. I should point out, with all your remarks about the elephants and the people that eat peanuts, fortunately for the peanut industry, everybody likes peanuts. If we only had one little segment liking peanuts to the detriment of others, peanuts would be an endangered species. In fact, thank goodness, they are not.

Mr. Chairman, I am going to go through some of my comments. I have with me today, as you requested, Mr. Dallas Smith and Mr. Jim Davis of the ASCS. I'm sure the chairman and other members of the subcommittee are very familiar with these gentlemen. They are the Department's specialists in Peanuts and Tobacco Programs.

Gentlemen, we will talk a little bit about the present two-tier price system which many witnesses have already talked about. It went into effect basically in 1978 for the purpose of going through a transitional period, in order to get peanuts into a market-oriented position. That transition has now, Mr. Chairman, been in place for nearly 8 years. The administration proposal proposes an additional 5 years for another transitional period, so ultimately we would eliminate the two-tier price system.

Mr. Rose. Can I interrupt you, if I may?

Mr. Goldberg. Surely.

Mr. Rose. Are you skipping around, or can we ask you to read your statement to us?

Mr. Goldberg. Do you want me to read it?

Mr. Rose. I really wish you would——

Mr. Goldberg. Sure. I would be happy to.

Mr. Rose [continuing]. Because we would like to question you about specific parts of it.

Mr. Goldberg. All right. Fine.

In 1977 the Department was faced with a monumental problem with the Peanut Program that was in place at that time. Government losses per year had reached levels in excess of $100 million due to the rigid minimum allotments and price support levels tied to the price paid index. It became apparent that the old program was discouraging expansion of both domestic and export markets.

The present Two-Tier Price Program was authorized by the Food and Agriculture Act of 1977 to cover the 1978 through 1981 crops. It was continued with modifications by the Agriculture and Food Act of 1981 to cover the 1982 through 1985 crops. The Two-Tier Program was intended as a transitional program to move peanut growers and the peanut industry as a whole toward a free market. It also was instituted to allow peanut growers and the peanut buyers to make their decisions based on signals from the market, and not Government programs.

The transitional program has now been in place for nearly 8 years. During this time we have eliminated allotments, expanded production of additional peanuts, eliminated surplus loan stocks and the costs associated with those stocks. Some would suggest that the Peanut Program is working well and should only be fine-tuned. It is suggested that Government costs are almost nil and that farm income is well protected.

It has now become clear to many, both inside and outside of Government, that existing farm policies and programs are not serving agriculture well. The basic program tools—nonrecourse loans, direct payments, supply controls—have been in use for more than 50 years and have changed more in form than in substance. Supply control programs have proven to be particularly ineffective. In the meantime, agriculture itself has changed much in composition and orientation. Agricultural policy needs to adapt to the changing dynamics of the agricultural sector. That requires our agricultural policy to be flexible to adjust to changing economic conditions. A market-oriented approach will provide that flexibility.

We feel the rigid provisions of the Two-Tier Price Support Program lack the necessary flexibility to adjust to changing market conditions. This lack of flexibility can work against, rather than for, U.S. agriculture. For example, the April 15 export contract deadline commits peanuts for the export market far in advance of their production and marketing. In 1983 this situation contributed to a short supply of certain grades of peanuts in the domestic market, while our inflexible rules forced U.S. companies to export those same grades into the export market where they were already in surplus. Large marketing penalties have been assessed by USDA against domestic companies who violated these rules.

Rigid price support levels for quota peanuts and a legislatively mandated reduction in the domestic quota have contributed to a widening price disparity in the two-tiered price support system. As we are forced to pile on more marketing restrictions to protect the Commodity Credit Corporation from program losses, expansion of both domestic and export market is being discouraged.

In 1930 the United States harvested 1.1 million acres of peanuts. In 1984, 54 years later, harvested acreage has increased to 1.6 million acres. Per capita production of major peanut products has remained virtually unchanged since the midsixties.

There is considerable evidence that tight controls on peanuts did not, over the long run, benefit all peanut farmers. Instead, the economic value of the quotas and allotments has been captured by landowners in increased land values and higher rates for the lease of quotas and allotments. Nonquota peanut farms either had to purchase or lease quota to their farm in order to grow peanuts for domestic use, or grow additional peanuts on the chance that there would be a demand up and above the supply of quotas. Quota rents vary widely among the production areas, but an estimate for Georgia indicated a rent value of about 6 cents per pound.

The administration's proposed legislation provides a comprehensive approach for policy that is market oriented and long term in design. Unlike previous bills, this legislation clearly states the direction of farm policy for the mideighties through the end of the 20th century and beyond, rather than only for 4 years.

Price and income for peanuts will be determined in the same manner as for other commodities and will ultimately be based on nonrecourse loans or price support rates at 75 percent of the moving 3-year average U.S. peanut market prices. Permanent legislation to carry out the Peanut Program would be repealed.

This legislation also recognizes there are major differences among the commodities. As such, the administration has planned a 5-year transition period to phase out obsolete programs and phase in market-oriented price supports for every commodity.

In order to move to a market-oriented Peanut Program, it is necessary to phase out the existing poundage quotas. The value of peanut allotments has been capitalized into the price of the land originally assigned the historical allotment. While allotments were discontinued under the act of 1981, the poundage quotas that were assigned to allotment holders under the Food and Agriculture Act of 1977 were continued. As a result, the value of the original allotments is now reflected in the poundage quotas. An estimate for 1981 to 1983 puts this value for an owner-user at $140 per ton.

Eliminating the quotas would cause an immediate decline in land values and severe economic dislocation to quota holders. To lessen this effect, the 1985 crop farm poundage quota of 1.1 million tons will be retained through 1990 only for the purpose of determining the eligibility of producers for direct payments to ease the transition of the quota holders to a more market-oriented program.

Direct payments through the 1990 crop will be made to producers on farms with a 1985 poundage quota, if the season average price for peanuts falls below the established price.

The established price in 1986 will be $550 per ton, and for subsequent years will be a declining percentage of the 3-year moving average of the market prices for peanuts. A declining direct payment will provide quota holders with an orderly transition period to shift resources to competing uses. Beginning 1991, direct payments would be available to all producers if season average prices fell below 75 percent of the preceding 3-year moving average of U.S. market prices for peanuts.

All producers will be eligible for nonrecourse loans, limited to $200,000 to any producer, for all commodities on all farms in which the producer has an interest. Loans in excess of $200,000 will be available as recourse loans. The loan period will extend 9 months. The loan rate for peanuts is the lower of $250 per ton or 75 percent of the preceding 3-year moving average of U.S. market prices for peanuts.

In developing the Agricultural Adjustment Act of 1985, the administration has been guided by the need to achieve certain objectives. If these objectives can be met, the U.S. agricultural sector will continue to be the most efficient, productive, and competitive industry in this country and, indeed, in the world.

In summary, Mr. Chairman, quotas will be eliminated, providing everyone the same opportunity to grow peanuts for the domestic market, based on market signals rather than Government-set prices. Also eliminated are marketing restrictions which now regulate when additional peanuts must be contracted, supervision of contract additional peanut shelling, the mandatory export of exact grades on peanuts contracted, and the export prohibition of products made from contract additionals to both Canada and Mexico. This program will free the peanut industry of unnecessary and cumbersome restrictions and encourage expansion of domestic and export markets. After many years, the Peanut Program will be placed on equal footing with other commodities in this country.

Thank you very much. I would be very happy to answer any of your questions.

Mr. Rose. You end up on such a rousing note. Do you really mean that maybe the peanut farmer would be like the corn farmer some day? Is that the kind of excitement that you all have in store for the peanut farmer? [Laughter.]

I'm serious.

Mr. Goldberg. No, sir. I think the peanut farmer will continue to fare very, very well in the agricultural complex. He will start in good shape, whereas the corn farmers will continue to have some problems.

Mr. Roberts. Leave wheat out of it.

Mr. Rose. Yes; I didn't say wheat because Mr. Roberts was here, but:

> The established price in 1986 will be $550 per ton, and for the subsequent years will be a declining percentage of the 3-year moving average U.S. market prices for peanuts. Thus, a declining direct payment will provide quote holders with an orderly transition period to shift resources to competing uses.

How much do you expect all that to cost?

Mr. Goldberg. As previous witnesses have stated, Mr. Chairman, our estimates are somewhere between $75 million to slightly higher in the first 2 years of the program.

Mr. Rose. After that, how much would it cost?

Mr. Goldberg. Negligible.

Mr. Rose. What are the costs right now of the Peanut Program?

Mr. Goldberg. Because of the way the program is administered, to the administration's credit, with quota restrictions and supply management and Government controls, it costs very little. [Laughter.]

We have successfully choked off the cost.

Mr. Rose. In other words, Jim Davis is doing such a good job that the program is not costing us anything. What are you going to have for him to do after this program is phased out?

Mr. Goldberg. I think that all of our commodity analysts, Mr. Chairman and members of the subcommittee, will have plenty to do.

Mr. Rose. All right. On page 2 you say, "Supply control programs have proven to be particularly ineffective." I think that's the crux of your testimony. You all really believe that, don't you?

Mr. Goldberg. Yes, sir.

Mr. ROSE. I mean, that is the gospel according to Block, is "Supply control programs have proven to be particularly ineffective."

Mr. GOLDBERG. No; I think that's the gospel, Mr. Chairman, the doctrine according to farmers in this Nation that believe in free markets.

Mr. ROSE. I am going to resist and let Mr. Hatcher go first. Mr. Hatcher.

Mr. HATCHER. Have you got a list of the peanut farmers that have encouraged you to do away with supply control?

Mr. GOLDBERG. No, sir; we don't.

Mr. HATCHER. Do you have any personal knowledge that there are any significant number of peanut farmers in any section of the country who want to abolish supply control?

Mr. GOLDBERG. Congressman, I would assume that since the number of peanut farmers has not materially increased, that we probably have a lot of farmers in this country who would, if they were allowed to do so by law, would like to raise peanuts.

Mr. HATCHER. Chairman Rose hit on this, but I wanted to follow up. Assuming that supply control programs in general have proven ineffective—assuming for the moment that that is true—how has that happened with the Peanut Program, with the changes made in the 1977 act and changes again in the 1981 act? How has that program been ineffective?

Mr. GOLDBERG. Well, it has created a two-tier price system, Congressman, and what it has done is restrict trade. It has added a disparity between the price that those that are fortunate enough to have the quota price, against those that only can produce additional. In addition to that, those that can produce additional peanuts can only sell those peanuts under a number of restricted circumstances, so the supply program has benefited those few people. However, if you look at the total program, we feel that if you blended the price and entered the free market, it would benefit more people instead of less.

Mr. HATCHER. You mention on page 2 the fact that the April 15 contract deadline has created some problems, and for that reason you ought to do away with the Peanut Program. Wouldn't it be a simple matter, if that is a problem, to adjust that particular factor without abolishing the supply management concept of the Peanut Program?

Mr. GOLDBERG. I'm not sure I understand the question, but I assume that you're saying that we should move that date forward, closer to harvest time, so that we would have some kind of idea as to what the crop was going to be.

Mr. HATCHER. I'm saying it seems to me that is a very minor element and could be dealt with, if it is a problem, by itself without even getting into whether or not you ought to abolish the Peanut Program.

Mr. GOLDBERG. Congressman, I don't think that's a minor problem, but I think if you asked manufacturers when they have to forward price to contract for peanuts for export—and I am not an authority in that area.

Mr. HATCHER. Is there a cry from the agricultural areas of the country, any of the agricultural areas, to abolish the Peanut Program, or is it simply coming from within the Department and from some manufacturers?

Mr. GOLDBERG. Congressman, I don't think we are endeavoring to abolish the Peanut Program. As a matter of fact, we are trying to broaden it so that more farmers would be able to raise peanuts, and on an equal footing. I think that if you're talking about total agriculture and support for this particular commodity or against it, I don't think there is any animosity on the part of farmers across the Nation, but I do feel that the Peanut Program and our title in our bill treats the Peanut Program similarly to what we have done with the rest of the commodities. What we are after is some degree of uniformity, so that we can have a marketing plan conducted by market forces and not by the U.S. Government with a whole series of supply management controls.

Mr. HATCHER. Mr. Goldberg, all those other commodities are costing the taxpayers of this country more than the Peanut Program. Isn't that correct?

Mr. GOLDBERG. That's right, Congressman, and the administration is moving in the direction to try to eliminate some of that cost.

Mr. HATCHER. Thank you.

Mr. ROSE. Congressman Hopkins.

Mr. HOPKINS. Thank you, Mr. Chairman.

Mr. Goldberg, what did the Peanut Program cost the Government last year?

Mr. GOLDBERG. Congressman, roughly $6 million.

Mr. HOPKINS. Is that total cost, administrative cost?

Mr. GOLDBERG. I think so.

Mr. HOPKINS. $6 million?

Mr. GOLDBERG. That's in 1983.

Mr. HOPKINS. What would it cost the Government if your proposal passed and went through? What would it cost the Government this year or maybe next year?

Mr. GOLDBERG. I already testified, somewhere in the range of $75 million.

You have to understand, though, Congressman, why it cost $6 million and why our program from the outset would cost $75 million.

Mr. HOPKINS. Yes. I want to get to that. You say here on page 2 of your statement, second paragraph, that some would suggest that the Peanut Program is working well and should only be fine tuned. It seems to me that your suggestion is changing channels rather than fine tuning. Would that be a correct analogy?

Mr. GOLDBERG. It would be correct to say that it's a dramatic change, but the reason it is working well is because the Government hammers down all the screws around the sides of the coffin so that nothing can creep out.

Mr. HOPKINS. What would be the break-even point for the Government under your plan, Mr. Goldberg? If it costs $75 million next year, as an example, is it going to cost $75 million the year after?

Mr. GOLDBERG. No, sir, it will not. As a matter of fact, our projections would show that the Government essentially would be out of the support business, and the additional advantage is of course that peanut farmers, those that exist now and probably some additional peanut farmers, would take advantage of considerably more opportunities in both domestic and export markets.

Mr. HOPKINS. Are you saying that your cost of $75 million would be a one-time cost, a 1-year cost?

Mr. GOLDBERG. Two years, I think it is. It would go like the program itself. It would be declining—I can't give you exactly the figures, but $75 million would be the high and then it would move proportionately downward.

Mr. HOPKINS. And then it would be all over after that, is that correct? There would be no more cost to the Government?

Mr. GOLDBERG. After the adjustment period, yes, sir.

Mr. HOPKINS. How long would that be?

Mr. GOLDBERG. Five years.

Mr. HOPKINS. Five years, so you're saying that after next year at a cost of $75 million there would virtually be no cost to the Federal Government?

Mr. GOLDBERG. After next year?

Mr. HOPKINS. Yes.

Mr. GOLDBERG. There would be some cost, yes, but it would be less than $75 million.

Mr. HOPKINS. What I'm trying to say, I guess, Mr. Goldberg, is that when you compare the two costs involved, that $6 million cost last year, if that stayed the same we could continue that cost for another 12 years and not cost the Government any more money than you are proposing that we cost them next year. Where do we begin to break even? I mean, where does it become advantageous to the taxpayers?

Mr. GOLDBERG. At the time when you eliminate your substantial deficiency payments under our program and you have a blended markprice, I would suggest that the cost to the U.S. Government would be nil, but most of all the cost to consumers would come down—the users of peanuts—the prices to farmers—the added markets would be better.

Mr. HOPKINS. Thank you, Mr. Goldberg.

That's all I have, Mr. Chairman.

Mr. ROSE. Congressman Lindsay Thomas.

Mr. THOMAS. Thank you, Mr. Chairman.

Mr. Goldberg, I don't mean this disrespectfully, but I'm not going to get in a lot of detail with you because I don't think it's needed. I think your proposal, like the Agricultural Adjustment Act of 1985, unless I'm hearing something wrong, I don't think we're going to be really spending a lot of time on those bills. I don't think they are going to pass in this committee. I have heard the Secretary before other groups and I don't see other groups supporting that bill, either, but let me just ask you a couple of questions for the record.

First off, what would you say would be the result on the market price and the price of quota peanuts if your program was put into effect? Let's say for the next 3 to 4 years, what will the price that the farmers get for their peanuts be?

Mr. GOLDBERG. We estimate somewhere between $460 to $500 a ton after the blended price——

Mr. THOMAS. In other words, lower than what the price is at this time. Is that correct?

Mr. GOLDBERG. Somewhat lower until you get to the point where your markets begin to develop.

Mr. THOMAS. At what point will that be, Mr. Goldberg?

Surely you have projected that.

Mr. GOLDBERG. If you blended the price, Congressman, actually the price would be a little higher. In other words, they would gain in the additional peanuts and lose a little on the quota peanuts, but you will be raising more additional peanuts so overall the peanut farmer will be making more money, not less.

Mr. THOMAS. That's what I wanted to hear you say, Mr. Goldberg, because this is what Mr. Block has said, is that what we're going to do in this whole program—and this is what you're saying as well with your peanut part of it—it's going to lead to lower market prices but to help you, since this is going to mean lower market prices, we're just going to let you grow more products, more pounds.

Mr. GOLDBERG. No, not——

Mr. THOMAS. This is what you're saying, and the point that you are missing is that at very few commodity prices that we're producing at in this country today are we showing a profit now. I think this sums up the Adjustment Act, when Secretary Block—and I'm not impugning his name by his not being here, because this is exactly what he said last Wednesday—certainly many of the programs we have now are costly and not working, and it's leading to lower prices, we think, in the next 2 to 3 years at the farm level. That's what I'm concerned about now in my line of questioning. He said, "Certainly my program will mean the same thing. The only difference is, our program is going to cost the Government a lot less."

That's why this Agricultural Adjustment Act of 1985, as you call it, it wasn't written by anyone who knows anything about farming. It was written by David Stockman. There is no doubt about it, because it's nothing but a reaction to numbers and figures, and it does not take into consideration the effect it is going to have at the farm level. And the price tag the Federal Government is going to pick up because of it, if it is passed, let me assure you gentlemen—and you in particular, Mr. Goldberg—will be far greater than any price that you might incur under the current program, or the right approach to agriculture and its problems.

Since you are Under Secretary of International Affairs, let me ask you—you keep referring to this market-oriented philosophy and this free market—do you think there is a free market out there? If so, where is it?

Mr. GOLDBERG. Is there a free market out there?

Mr. THOMAS. Yes.

Mr. GOLDBERG. You mean amongst competitors?

Mr. THOMAS. You're saying that's what we want, is a farm policy that will put us onto the free market. What free market?

Mr. GOLDBERG. I would say that most of our competitors in the world today come closer, or at least as close as we do, to a free market. I am looking particularly——

Mr. THOMAS. Is that what France is doing with their wheat, for example?

Mr. GOLDBERG. If you'll let me finish, Congressman, I'll explain my answer. Most of those countries that are dominant in the most commodities that we export, such as Australia, such as Canada, such as a number of other countries—Korea——

Mr. THOMAS. Are you going to use Canada as an example? You are using Canada as an example of a free market?

Mr. GOLDBERG. They do not use an export subsidy.

Mr. THOMAS. Mr. Block has testified to the exact opposite, concerning pork products in particular. I can name you forest products where 95 percent of those products are owned by the Canadian Government——

Mr. GOLDBERG. That's correct.

Mr. THOMAS [continuing]. And subsidized stumpage, and you call that a free market?

Mr. GOLDBERG. I don't call that a free market but I would say that in wheats, for example, the Canadians are pretty competitive.

Mr. THOMAS. Now what other examples of the free market? I want to know about them because I have been having a hard time uncovering them, if you would.

Mr. GOLDBERG. Australia.

Mr. THOMAS. Would you say Australia's beef is produced under the same inspection and quality levels that beef in this country is?

Mr. GOLDBERG. We have an importing quota on beef, you know.

Mr. THOMAS. But that was not my question. Could an American producer produce beef in this country under the same conditions that the Australian beef producer does and send it into this country? Would it be acceptable? Those are my ideas of what you are talking about, a free market where none of this exists, Mr. Goldberg, and it is—how, in the face of the kind of trade deficit we run today, the recent vote by the Senate, the trade problems rampant, how you come here and advocate something that throws us immediately onto a free market without first assuring producers that there is a free market, is putting the cart before the horse.

Mr. GOLDBERG. Congressman, if this country does not provide access to trading partners around the world, how in the world can we expect them to provide trading access for our products?

Mr. THOMAS. I have no objection to us offering—in fact, that is exactly what we have done, Mr. Goldberg, and you are advocating a continuance of, is not an open market, it's a free hand to every country in the world to access to our market where we do not have it to theirs. That's the point that you're missing, sir. We can send our oranges to Japan but no orange juice. We accept their automobiles and televisions, but they will not take our telephones into their country, and the list goes on and on.

I don't mean to continue to hammer on this point but it is the very bottom line of what you're talking about, a market-oriented farm program when there is no free market. When we get through talking about all of these problems, you can look very specifically at an overvalued dollar that is putting a 30- to 40-percent tax on everything we are trying to export, and this is the time that you come forth with an advocacy of some market-oriented philosophy.

Mr. GOLDBERG. Congressman, do you think it's fair that we can't sell our peanut butter in Canada?

Mr. THOMAS. Excuse me. That we cannot sell our peanut butter in Canada?

Mr. GOLDBERG. Yes, sir.

Mr. THOMAS. For what reason?

Mr. GOLDBERG. By law. We can sell Canadians additional peanuts because it is a lower competitive price, but we cannot process additional peanuts by law in this country and ship those processed peanuts to Canada or Mexico.

Mr. THOMAS. Is that by provision of our restrictions or is that the Canadian Government?

Mr. GOLDBERG. That is our restrictions, sir.

Mr. THOMAS. Why do we do that?

Mr. GOLDBERG. To protect the Commodity Credit Corporation so that these programs that you're talking about don't cost any money.

Mr. THOMAS. OK, so we found a specific there where we put some sort of restriction, but let's again look back at the balance. Now if you go back to the Peanut Program in general—and I know I'm running over my time—but there are a lot of peanut growers in this room here today. There are a lot of good people who have spent a lot of time on the farm. What I want them to see—and this goes back to my colleague's questions about how many peanut farmers have told you they want the program scrapped—the point is, this is not a farm-oriented or producer-oriented program, and there is not one peanut producer, I would be willing to bet you, in this room today who would tell you they would like to see the program scrapped. I hope you are aware of that, and I hope our growers in this room realize what you and others are advocating with the Agricultural Adjustment Act of 1985. It means lower prices for our commodities unquestionably, and how can we keep up our production when we are going broke at the prices we are producing for already? You have selected absolutely the worst time, the most unfair market conditions, the worst time financially for the farmers in this country, to come forth with a proposal like you have, and I hope our people in this room realize that.

Thank you. I have nothing else.

Mr. ROSE. Mr. Roberts.

Mr. ROBERTS. No, sir, I have no questions.

Mr. ROSE. Mr. Whitley.

Mr. WHITLEY. Thank you, Mr. Chairman.

Mr. Goldberg, the two previous members have both been from the State of Georgia and they are talking primarily about Georgia peanuts. I wouldn't want you to be under the illusion that it's only the Georgia peanut producers who feel the way they feel. I want to say ditto for the peanut producers in Virginia and North Carolina, who produce a different type of peanut, but we would come under the same program, as would the peanuts out in Texas and Oklahoma and everywhere else.

I have looked at the testimony of the executive director of the North Carolina Peanut Producers Association, and he reiterates what has already been said. Ninety-eight percent of our peanut producers favor the present program. They see no problems with it, and I just want to associate myself and the growers that I represent and the growers from North Carolina and Virginia with what has already been said, the principle of it. You've got a program that's working. By your testimony and by everybody else's testimony, it isn't costing the Federal Government anything now. It is giving the producers considerable leeway to produce for this free overseas market that you're talking about. They can produce for that now to the extent that they want to.

I totally agree with what my colleague from Georgia, Mr. Thomas, has said. I don't find support in the agriculture community for the position that you are taking, and I don't believe it came out of the agriculture community. I think it came straight out of OMB and from people who are sitting there with sharp pencils trying to figure out ways to save dollars. I think many of us would agree that in the best of all possible worlds, that to have a totally market-oriented agriculture program and a totally market-oriented every other kind of program, if we had it in this country and we had it around the world, that's fine.

I think Americans can compete in peanuts; I think they can compete in automobiles; I think they can compete in televisions sets, and Mr. Roberts' wheat, and corn and everything else. However, that's not the kind of world we live in. We are not going to have a free market around the world, and in those situations where we don't, here is a program that's a two-tiered program. It has one price for the domestic market and another one for the world market, and those who want to are free to produce for that world market. I just cannot for the life of me understand the logic of your approach.

Mr. GOLDBERG. Congressman, let me address one point that seems to be floating around quite continuously, and that is the cost. The peanuts that are exported, while it's true that the cost is not being borne by the U.S. Government in support outlays as it is in other commodities, there are costs that are being borne by the consumers in this country. For example, only additional peanuts are exported, and they are exported to foreign customers at a lesser price than we buy peanuts in this country. In other words, foreigners are buying U.S. peanuts cheaper than you and I buy peanuts in the grocery store.

Mr. WHITLEY. And they are buying those peanuts on the world market from other producers at that same level, are they not?

Mr. GOLDBERG. But we control about 50 percent of the market, so you would have to believe that to some extent we are subsidizing the export of those peanuts. The other side of the coin is that only those peanuts that are quota peanuts or edible processed peanuts are basically the ones that domestic purchasers buy, and they are supported at a substantially higher level, thereby commanding a higher price than additional peanuts which by law cannot be processed and sold in this country. Therefore, although it is not a cost to the U.S. Government, that is very similar to our Sugar Program. By Government edict we control it that way, but there is a cost.

Mr. WHITLEY. However, you say there is no cost to the Government. You are talking about a cost to consumers.

Mr. GOLDBERG. I would call the taxpayers of the Nation certainly interested parties.

Mr. WHITLEY. You know that the consumers of this country get their food, including peanuts and everything else, for a far, far, far smaller percentage of their income than in any other country around the world, and we are really asking America's farmers—peanut farmers and every other farmer— to produce for a world market at below their cost. That is just really not going to work. It is not going to work in peanuts; it is not going to work in these other commodities; it is not going to work in anything else.

That's all I have, Mr. Chairman.

Mr. **Rose**. Congressman Stenholm.

Mr. **Stenholm**. Thank you, Mr. Chairman.

Mr. Goldberg, let's go a little further into the cost. What has been the cost to the taxpayer of the Peanut Program over the last 4 years?

Mr. **Goldberg**. About $20 million, it looks like, Congressman. If you're talking about the Treasury of the United States, yes.

Mr. **Stenholm**. I'm talking about the taxpayers of the United States. $20 million?

Mr. **Goldberg**. That has been the Government outlay, yes, sir.

Mr. **Stenholm**. The Government outlay over 4 years?

Mr. **Goldberg**. Yes, sir.

Mr. **Stenholm**. Annual or total?

Mr. **Goldberg**. Total.

Mr. **Stenholm**. Total, $20 million.

Further a little bit on the consumer cost: What has been the consumer cost of the Peanut Program?

Mr. **Goldberg**. Had we had a different program? You mean under the existing program during the last 4 years, what has been the consumer cost?

Mr. **Stenholm**. Yes.

Mr. **Goldberg**. I don't know.

Mr. **Stenholm**. Let me ask this: We're going to have some excellent testimony. The American Peanut Product Manufacturers, our ex-colleague, Mr. Wampler, has given us an excellent book here. You can see the chart, we show that the Peanut Program is relatively profitable to the farmer.

Mr. **Goldberg**. Very.

Mr. **Stenholm**. Somehow this has gotten to be a bad thing, and when we compare peanut farmers to cotton farmers who are losing money, I have great difficulty in your statement in which you say, "Supply control programs have proven to be particularly ineffective." It seems that everything, every witness—I am running back and forth between cotton and peanuts today—and I am real troubled by the suggestion that what is needed for the peanut industry is what we have got in the cotton industry, when I look at this chart that shows cotton has lost money every year since 1976, and suggesting that that is a role model for the Peanut Program?

Mr. **Goldberg**. Congressman, peanuts have been profitable for those peanut farmers who have been fortunate enough to have a quota. If you applied the Peanut Program to other commodities, as someone suggests, you can eliminate about 50 percent of the farmers in the country.

Mr. **Stenholm**. That's what really troubles me about the overall testimony, not just yours this morning but the overall administration approach to the farm bill. What others later today will be suggesting is that what we need to do is lower the price the farmer is receiving for that which we are growing.

Mr. GOLDBERG. I don't suggest we do that because I think the blended price would be higher, and eventually you are going to see higher peanut prices for peanut farmers, but you'll see more peanut farmers.

Mr. STENHOLM. I've got real troubles with that logic, but I'm talking about overall. Overall, the administration's farm program is suggesting that somehow we, the producer, have to get more competitive in order to sell more. I have real problems with that in the short run in particular. In the long run I agree with it, obviously. I mean, that's like being for motherhood, apple pie, and the flag, but I've got real problems with in the short run suggesting that somehow the answer to, in this case, the peanut farmer's problem is lowering the price, and somehow that that is going to do a favor to an abused consumer.

Mr. GOLDBERG. I don't think, Congressman, we are going to lower it. The price would be lower on quota peanuts. The price would be higher on additional peanuts, and my arguments when I say that prices eventually would be better for them and you would have more of them, and somebody says, "Well, that's not very good," that is if you want to—as we have done now—circle the wagons around the campfire, but there is elasticity in demand and certainly there are markets for U.S. peanuts out there that we are not tapping.

Mr. STENHOLM. Yes, but we have got a program in place in which anybody can grow peanuts for that world market. No one is precluded from producing for that world market, is there?

Mr. GOLDBERG. That's exactly right, Congressman, if he wants to take all the risks and restrictions associated with growing additional peanuts, and I don't know very many people that would want to do that today.

Mr. STENHOLM. I beg your pardon. I believe, Mr. Goldberg, that's exactly what you are suggesting for every peanut farmer in the United States, is that we grow them on that world market, and I totally agree with you on that.

Mr. GOLDBERG. That's true, but we would blend those prices and provide a support program for it.

Mr. STENHOLM. No, I think you will have just the opposite. Again, I use this excellent chart that somebody else is going to use to prove a different point. To me, I cannot believe for a moment that what we want to do to peanuts is what we're doing to cotton. I mean, the line right here is the break-even point, and you look at cotton and wheat and grain sorghum, the return on investment to the American farmer is not anywhere close to what is adequate to maintain the best food-producing industry in the world. Yet here, for differing reasons, we are suggesting because peanuts are profitable—we have got a program that's working—that we want to change that to make it work like cotton.

I agree with what you just said. I mean the folks growing additional peanuts, you've got a heck of a risk to be taking, but are you not saying, with what is your testimony today, that that is exactly the risk we want every individual peanut producer to take?

Mr. GOLDBERG. No, Congressman, because all the restrictions would be removed. We could trade as you can't now. You wouldn't have quotas. You wouldn't have certain peanuts that can do this and certain peanuts that can do that. We wouldn't restrict the parts of the country that can do it or that can't do it. I'm sure there are other areas of the United States that could grow peanuts. Obviously if you had a market-oriented Peanut Program, in some States such as North Carolina, Georgia, and perhaps Florida, you would probably see an increase in peanut production. In some other States you might see a slight decrease in production, depending upon the costs and soil conditions and those kinds of factors, but as it stands now there isn't any flexibility.

Mr. STENHOLM. I can't argue with the logic you have just given but, when you come back to Mr. Whitley's point, we are not living in that dream world out there, and the real world is that we have real problems in competing with world governments in any commodity.

One last question; is supply control totally incompatible with the free market system?

Mr. GOLDBERG. Yes, sir.

Mr. STENHOLM. Yes, sir?

Mr. GOLDBERG. You bet.

Mr. STENHOLM. Can you name any business in the United States that does not practice supply control?

Mr. GOLDBERG. I think there are a lot of them, including some in agriculture, Congressman, that let the market forces dictate the supply and demand.

Mr. STENHOLM. Name one.

Mr. GOLDBERG. If you want to take agriculture, take the soybean industry. You don't have supply controls in American soybeans. Anybody can grow them.

Mr. ROSE. Let me butt in one question here: Does Ford Motor Co. practice supply management?

Mr. GOLDBERG. You mean do they build as many cars as they think they can sell?

Mr. ROSE. Well, or do they let everybody in the world build Ford cars? Do they not build what they think they can sell?

Mr. GOLDBERG. Surely.

Mr. ROSE. And would you have that in the Peanut Program that you envision for American peanut farmers, or would you not have people falling all over each other to produce as many peanuts as their could, hoping to get some share of the market? Would there be any coordination of supply under the peanut program?

Mr. GOLDBERG. I don't think that that's a good comparison, between Ford Motor and the peanut industry, because the Ford Motor Co. builds automobiles to go out and try and sell them. The peanut industry is a tight supply, management control. There are only so many peanuts you can produce. We haven't changed that in 30 years.

Mr. ROSE. Wait 1 minute. I'm talking about under the Peanut Program that you envision.

Mr. GOLDBERG. That we would envision?

Mr. **Rose**. Mr. Stenholm said, "Name one business, in this town or anywhere, that doesn't practice supply management." I just picked Ford Motor Co. out of the air.

Mr. **Goldberg**. Well, if Congressman Stenholm's and your definition of supply management is the law of supply and demand, then we're on the same wavelength, but I don't think they are the same. I think that what Ford Motor Co. does is to respond to supply and demand, and I think the majority of the industries in this Nation, including most of agriculture, respond to those forces, but not in the peanut industry.

Mr. **Rose**. I would yield back to Mr. Stenholm. I didn't mean to interrupt.

Mr. **Stenholm**. Just a point: I can't quarrel with, again, the logic of the pure definition of the free enterprise system, but when you talk about supply management or supply control programs have proven to be particularly ineffective, I have to come back to my original question: Ineffective for what?

Mr. **Rose**. Let me recognize Mr. Hatcher for one additional question.

Mr. **Hatcher**. Mr. Goldberg, you stated in response to a question from Congressman Stenholm that you felt that in your opinion you would have more peanuts produced in North Carolina, Georgia, and Florida. Can you tell me why you——

Mr. **Goldberg**. That's possible.

Mr. **Hatcher**. Sir?

Mr. **Goldberg**. That's possible.

Mr. **Hatcher**. Can you explain to me why you don't have a hue and cry from the farmers in those States saying, "Please do away with this Supply Management Peanut Program so we can go make some money." Are they just not as enlightened about peanuts as you are or the Department is? They don't understand their own self-interest?

Mr. **Goldberg**. I don't think, Congressman, you're going to get farmers anywhere in the country to get very noisy, who are now receiving the benefits of the current type program. I don't think those are the kind of people who are going to come up here and complain about it.

Mr. **Hatcher**. One other comment: It seems strange to me to hear you say that the Peanut Program—in response to Congressman Stenholm, again—that yes, the Peanut Program has been profitable, but only for those who are growing peanuts. Therefore, it seems that what you would have is another—you would double the number of peanut growers and let them all go broke, like cotton farmers have and other commodity farmers have. That doesn't make any sense whatsoever to me.

Mr. **Goldberg**. Congressman, I don't think you would see a doubling of peanut growers. You know, a peanut is a food item. It's a specialty item. It isn't like the cereal you eat in the morning that you have to have in order to get the motors going, but I just think that would not happen. However, I did say that we would probably have an increase in production, as we have had.

Mr. **Hatcher**. Thank you.

Mr. **Rose**. Congressman Combest.

Mr. **Combest**. Thank you, Mr. Chairman.

Mr. Goldberg, what is the basic reasoning or what were the criteria established in the Department of Agriculture in determining their approach to the peanut proposal for your 1985 farm bill?

Mr. GOLDBERG. Basically, Congressman, we are trying to treat all commodities on an equal basis so that the program, as such, will operate from a total market-oriented program in relation to all other commodities. To treat peanuts or cotton or wheat or any other commodity differently than any other program, particularly one that is so dramatically different as this one is compared to all other programs, would not be in the best interests of total agriculture and it would run counter to what free market-oriented agriculture and basic economic forces would dictate.

Mr. COMBEST. Do you not feel that because of the peculiarity of various types of programs, that there need to be some programs dealt with differently than others?

Mr. GOLDBERG. Well, I believe in the peanut program we are dealing with somewhat differently.

Mr. COMBEST. No, I realize we are now, but I mean under your proposal would it be to get everything on an equal footing?

Mr. GOLDBERG. There are going to be some differences, Congressman. For the peanut farmers, for example, we would get rid of basically the two-tier price system which we deem is not a market-oriented type program. We don't have any other commodity in this country like that. That's why we would like to—I think, cause peanuts to be treated as other commodities.

Mr. COMBEST. Thank you.

Mr. ROSE. Congressman Glenn English.

Mr. ENGLISH. Thank you, Mr. Chairman.

Mr. Goldberg, I guess I would kind of like to followup a little bit on what Mr. Stenholm was pursuing. We've got so many problems in agriculture today, particularly our farmers do, and you find one segment of the agriculture economy where the farmers are doing pretty good and you want to come in and mess it up. It just makes you wonder. You know, "If it ain't broke, don't fix it." That is what the chairman has stated over and over again, and I have a very difficult time understanding why we shouldn't pursue that course of action. Can you tell me, other than philosophically, what it is that you've got against the Peanut Program?

Mr. GOLDBERG. Congressman, the Department and myself, we have nothing against the Peanut Program. The peanut farmers, the peanut industry, the manufacturers are very viable, good people in the total agricultural picture, so we are not trying to destroy peanut farmers nor are we trying to wreck a program that you say is working.

However, earlier I testified that the reason it is working is because the Government restricts the number of people that can be in the peanut business; they set the price; they set the market; they restrict trade; they put in all sorts of restrictions, quotas, and everything else imaginable to run a tight little program so that the Government doesn't have to pay any money. That, in my judgment, is not a program that serves the long-term best interests of American agriculture.

Mr. ENGLISH. So basically what you're telling me, then, it's philosophical, right?

Mr. GOLDBERG. No, sir, it is not philosophical.

Mr. ENGLISH. Tell me where the problem is, then. Like I said, all you have told me is that it is working, and then you have gone through and told me why it is working. I've got an awful lot of wheat farmers in western Oklahoma that would like to have an opportunity to see a program work as well, so the question comes down to, why don't we see if we can get a program that works for them, too?

Mr. GOLDBERG. If we applied the peanut program to your wheat farmers, Congressman—you're a good one to talk to about that, you're very knowledgeable in agriculture in Oklahoma, not only wheat but other commodities as well—but if we provided the same program for wheat farmers in your State as we do in peanuts, you could eliminate a whole host of wheat farmers in your State because we would only be producing wheat for the United States.

I think a little later on if you want to review the study that—I forgot—I think Congressman Stenholm waved, if you will look at that study you will find out what a wheat producer would get in a loan price if he had the Peanut Program going for him.

Mr. ENGLISH. The point that I'm making is, I don't care what the program is, just so it works. It's results that I'm interested in, and I have found that is what most of my farmers are interested in. They are looking forward to having the opportunity to try and stay in business.

Now we have had this program for some time. I have got peanut producers in my district. We had——

Mr. GOLDBERG. Congressman, if you have more——

Mr. ENGLISH. If you would let me finish, Mr. Goldberg, we held hearings down in the peanut-producing area with the chairman here a few days ago, and basically what they came down to, it's a program that they think may need some adjustments, minor adjustments, but basically they like the program. They want to keep the program, and I have no reason on Earth that I can think of why they shouldn't keep that program.

As I said, as long as the farmers are happy with it, the farmers have an opportunity to make a profit, and at the same time that it is working for this Nation—and I think we can say that the peanut program definitely is—then I really can't come down and understand what the concern is, particularly when you've got a program that doesn't cost the taxpayers anything. You know, in relationship to the difficulties we've got in the rest of agriculture, this has been a program that historically has worked pretty good, Mr. Goldberg, and that's where I don't really understand where you're coming from, I guess, other than it's just philosophical. It just doesn't fit in your particular philosophy, so we are going to go out here and we are going to put everything into a crisis and drive prices in the ground so you can say philosophically it's pure.

The world is very impure, and certainly the agriculture economy of this world is certainly very imperfect. We have an awful lot of governments out there that are just delighted to take advantage of the American farmer. Perhaps if the administration would go out there any make certain we have a level playing field in which to operate, maybe we could consider seriously some of the proposals that you're coming up with.

Mr. GOLDBERG. Congressman, I don't know how many quota-holder peanut growers you've got in Oklahoma, but I suggest it's considerably smaller than the number of wheat farmers you have, without knowing the numbers, but when you say it doesn't cost the Government, I think I testified earlier that the quota price for peanuts and the cost to American consumers that we pay for processed peanuts, as opposed to processed and peanuts all over, in other parts of the world, there is a cost.

Mr. ENGLISH. Tell me basically how much a pound is this costing the consumer? Now if we just went from the program we've got today to what you would like to see in place, how much of a savings are we going to have in that?

Mr. GOLDBERG. We don't have that figure, Congressman. I would be glad to do some research and submit it for the record.

Mr. ENGLISH. Now, Mr. Goldberg, if the administration is really serious and is really concerned, I would think that would be the first thing, the first piece of information you would have on hand. It seems a little strange to me that you don't have that just right off the top of your head, that "Boy, that's what we've been focusing on, how we're going to save all this money for the consumers." Here you come and you don't even have it; you just want to submit it for the record.

Mr. GOLDBERG. Congressman, I think you and I both know that world prices are substantially lower than the market, peanut prices, and I can't——

Mr. ENGLISH. Yes, but you're basing your case on, "We're going to save all these consumers all this money." If that is your primary objective—that's what I'm worried about. I'm wondering what your purpose is. That's what I'm wondering. I'm questioning your motives here, Mr. Goldberg, because I strongly suspect that your real objection to the program is that you just don't like the way the darn thing works philosophically. It just doesn't fit in the way this pristine world that you've got figured out in your head ought to work.

Mr. GOLDBERG. Congressman, I don't agree with you. The purpose of the program is to develop more markets for producers in this country; to give producers of peanuts opportunities to sell peanuts who now don't have that opportunity; to give peanuts a fair price, not only in the world but the United States as well; and to return more income for peanut and other agricultural producers. Now that is not a philosophical point of view. That is a realistic point of view in the real agricultural world.

Mr. ENGLISH. And if we're going out into the world—and you just got through going through this with Mr. Stenholm—those people who are not producing under the program, they can produce for the world, can't they?

Mr. GOLDBERG. Those people who are not in the program can produce for the world?

Mr. ENGLISH. Isn't that what you were saying earlier?

Mr. GOLDBERG. Not with all the restrictions that are imposed on peanut production in this country today, they couldn't. No.

Mr. ENGLISH. Those people who are not under the program cannot produce for the world?

Mr. GOLDBERG. Cannot. They cannot. That's true.

They can produce what we call additional peanuts for the world, under all the restrictions and all of the risks that are involved.

Mr. ENGLISH. That's right.

Mr. GOLDBERG. They all know that when they put additional peanuts in the ground, if there are sufficient quota peanuts to fill the domestic demand, they will have no market whatsoever for 1 pound of peanuts in this country.

Mr. ENGLISH. We're talking about the world, though. We are not talking about this country. We're talking about the world.

Mr. GOLDBERG. I know, Congressman.

Mr. ENGLISH. You just got through telling me that they couldn't produce for——

Mr. GOLDBERG. I know, Congressman, but the United States is part of the world, too, so you produce for the global thing.

Mr. ENGLISH. That's domestic market. I'm talking about world market, Mr. Goldberg.

Mr. GOLDBERG. That includes us.

Mr. ENGLISH. All right. The world market does? What is the domestic market, then, that we're producing for?

Mr. GOLDBERG. We have a two-tier price. That's why you have——

Mr. ENGLISH. Oh, I see. Well, what are we talking about when we're talking about the world price, then, and the world market?

Mr. GOLDBERG. That's what the market dictates in a true competitive situation.

Mr. ENGLISH. Outside this country?

Mr. GOLDBERG. That's right.

Mr. ENGLISH. And that's what I said, world market, didn't I?

Mr. GOLDBERG. That's right.

Mr. ENGLISH. And you just got through telling me they couldn't produce for the world market if they didn't participate in the program. Isn't that right?

Mr. GOLDBERG. That's the only market they can produce for. That's why they don't do it.

Mr. ENGLISH. That's this free market that you think is so great. If it's such a wonderful place, how come everybody isn't jumping in to produce out there? That's what you want them to have domestically as well as in the world.

Mr. GOLDBERG. Congressman, the United States is as much a part of the world as any other country, and if I raise additional peanuts in this country, I cannot sell those additional peanuts to be processed in this country and sold in this country. You and I know that that's true.

Mr. ENGLISH. And, Mr. Goldberg, you and I both know, when I talk about the world market you know exactly what I'm talking about. You know I'm not talking about the domestic market, so don't sit here and spar around with regard to the rhetoric. You know exactly, in a two-tier pricing system under the Peanut Program, that the world market is outside the borders of this country and I said "world market," you know.

As I said, the other part of it comes down to what you were asking for and asking this committee to do, is to simply turn the domestic program into one big, huge world market price. That's the direction you want to go, and the point that I made was that if the world price and the world market is so great, how come everybody is not out there clamoring to get into it? What you have been telling me is because it's very risky, and that's exactly what we come back to. It is very risky. It means you're going to have a lot of broke farmers.

Mr. GOLDBERG. It's only risky because the U.S. Government is right in the middle of the whole thing.

Mr. ENGLISH. Not in the world market.

Mr. GOLDBERG. The point I make, Congressman, is that those peanuts for the world market can't be sold to U.S. citizens. There is something inherently wrong with a program that does that.

Mr. ENGLISH. All right; but we're talking about here outside the borders of this country, Mr. Goldberg. That's the world market. Anybody that wants to can go produce for the world market, and if it's going to be such a great program and you want to bring it in to the shores of the United States, within this country, if it's such a great program, why aren't all these guys that are not within the program just clamoring to go sell in the world market? Because they know they're going to go broke. That's what you're advocating for this country, for the peanut producers we've got.

Mr. GOLDBERG. That's not true.

Mr. ENGLISH. That's the only conclusion you can come to, Mr. Goldberg.

Mr. GOLDBERG. That's your conclusion, Congressman.

Mr. ENGLISH. Thank you very much.

Mr. ROSE. Mr. Goldberg, do you get combat pay for coming up here? [Laughter.]

Mr. GOLDBERG. My secretary arrived with a flak jacket for me this morning, Mr. Chairman, but it didn't fit.

Mr. ROSE. It probably did when it was measured. [Laughter.]

Mr. Roberts.

Mr. ROBERTS. I thank the chairman.

Somebody mentioned wheat, and I immediately went through all of the averages that I could think of over the last 5 years, and wanted to turn this into a wheat subcommittee hearing, but I will spare my colleagues. In that regard, let me say that I share their concern about worshiping at the free market altar and the "valley of death," as I described it, that we are going to have to walk through if in fact we take the Stockman approach as opposed to whatever kind of consensus we can build.

I always stand in awe and keen interest as my colleague from Oklahoma engages Mr. Goldberg in the fine tradition of the Lincoln-Douglas debates. I don't know whether this is "Rocky II" or "Rocky III" but it's always very entertaining and educational.

Dick, I'm sorry that everybody wants to approach the administration's farm bill with an 11-foot pole. Let me reduce that pole down to 10½ feet.

Mr. GOLDBERG. We're making progress.

Mr. ROBERTS. I don't know that much about the Peanut Program. I have been on several hearings with my colleagues, and they are trying to educate me, but is the point that you are trying to make that if in wheat country up in Kansas we have an acreage base, and if we produce, say, within that acreage base then we get the program benefits, and then when people, say, down in the South decide to get in the wheat business, and then they stay out of the program and they add more acreage and more acreage and more acreage, and they double-crop it and use it as a cash crop, and then they get into the wheat business, aren't they taking advantage of the program? There is that freedom, then, in other words, that the producer has down South to do that, but that freedom does not exist for the peanut grower if in fact there are areas that some growers would like to have that same kind of advantage. Is that the point that you're trying to make?

Mr. GOLDBERG. Yes; that's correct, Congressman, because your Supply Management Program as applied to your Kansas producer is an incentive for the producers in other parts of the country, in other parts of the world, to do just exactly the opposite, and that is what has happened.

Mr. ROBERTS. Now, I am not advocating that because, as I indicated to you before, I am not an expert on this program, and every producer in this room is going through some very trying times, but when you say that elephants like peanuts, are you also saying that elephants would prefer—some elephants, the head elephant—would prefer that producers have the opportunity to grow peanuts, but they would do so across county lines and State lines; that that elephant would not be a rogue, if that were the case?

Mr. GOLDBERG. Would he not—I didn't follow you.

Mr. ROSE. Don't feel bad about that. [Laughter.]

Mr. ROBERTS. I am a little lost in this allegory here, but I made the statement that——

Mr. GOLDBERG. I got across the county line but I lost you.

Mr. ROBERTS. Let me just say that I hear a lot of people say we have a very fine program here in regard to the Peanut Program, and that we would like to have that support price raised a little and we would like to have that quota kept about the same, but for goodness sakes don't cross county lines and don't cross State lines. Then I always have to investigate that in great detail to find out the merit of that particular thing. You are saying the administration would like to see that kind of thing happen, in regard to page 3 of your testimony that you quoted in regard to quotas and allotments.

Mr. GOLDBERG. That's correct.

Mr. ROBERTS. OK. I thought that was the point you were trying to make, as opposed to sacrificing the producer on the free market altar.

I thank the chairman for the time.

Mr. ROSE. Thank you, sir, for that ray of light into our proceedings here today. [Laughter.]

Gentlemen, I don't have any more questions for you. I think you have defended yourself about as well as you could, based on what you had to bring to us, and we thank you very much.

Mr. GOLDBERG. Thank you, Mr. Chairman.

Mr. ROSE. Dr. Merrill J. Bateman, MJB Consultants, Inc., from Provo, UT, accompanied by Hon. William Wampler, president of the American Peanut Product Manufacturers Association, former ranking minority member of the Peanuts and Tobacco Subcommittee and ranking minority member of the House Agriculture Committee.

It's good to have you, sir.

STATEMENT OF WILLIAM C. WAMPLER, PRESIDENT, AMERICAN PEANUT PRODUCT MANUFACTURERS, INC.

Mr. **Wampler**. Thank you, Mr. Chairman. Mr. Chairman and members of the subcommittee, I ask unanimous consent to insert an introductory statement into the record, and in the interest of time I will summarize that.

Mr. Chairman, I welcome this opportunity to appear before you today representing the American Peanut Product Manufacturers, Inc., or APPMI. I serve as president of this association which was formed in 1983 to represent businesses directly engaged in the commercial manufacture of human food prepared from or with peanuts in the United States. APPMI member-companies represent over half the peanuts purchased for domestic use in the manufacture of peanut butter, roasted and salted peanuts, peanut candy, and other peanut products.

While the APPMI has not endorsed any of the several farm bills introduced to date, the association does support the enactment of Peanut Program language in the farm bill that would provide for a truly market-oriented Peanut Program. A market-oriented program, one that does not restrict production for domestic edible use, and one that let's the marketplace set the price of the raw commodity, will support efficiency of production, provide reasonable returns to growers, foster greater consumption of peanuts and peanut products, and save the American consumer millions of dollars. A market-oriented Peanut Program will provide equity for growers by allowing anyone to grow peanuts for the domestic edible market. It will provide equity for the American consumer by ending the inflated Government-guaranteed price of domestic edible peanuts which is now subsidized by the consumer.

Mr. Chairman, accompanying me today is Dr. Merrill Bateman, who prepared the comprehensive study of the entire peanut industry titled, "The U.S. Peanut Industry, the World Market, and U.S. Legislation." Dr. Bateman is president of MJB Consultants, Inc., in Utah, and he is the former dean of the school of management, Brigham Young University. He has worked as an agricultural economist specializing in commodity forecasting for 20 years. Mr. Chairman, with your permission I would like for Dr. Bateman to give a brief overview of his study within the time that the subcommittee has allocated.

[The prepared statement of Mr. Wampler appears at the conclusion of the hearing.]

Mr. **Rose**. Thank you, Mr. Wampler.

STATEMENT OF MERRILL J. BATEMAN, PRESIDENT, MJB CONSULTANTS, INC.

Mr. **Bateman**. I appreciate the opportunity of appearing before the subcommittee and, Mr. Chairman, I ask permission that my written statement appear in the record and that I be allowed to summarize my remarks.

Mr. **Rose**. Without objection.

Mr. **Bateman**. The current Peanut Program restricts the supply of peanuts for the domestic market. That has been discussed this morning, but it restricts the supply of peanuts for the domestic market through an antiquated system of poundage quotas allocated to specific land parcels which happened to be growing peanuts 30 to 40 years ago. With respect to the Peanut Program, the analysis that I have conducted during the past year, of which many of you have a copy, arrives at four major conclusions, and I would just like to highlight those conclusions this morning.

First, the quota-constricted supply of raw peanuts, coupled with the high price support level, has ensured that the American consumer is paying an excessive dollar amount for peanut products. We have just listened to the fact that it isn't a substantial drain on the Treasury, but what has happened is, we have shifted the costs of the program, through the 1977 and the 1981 legislation, to the consumer. We estimate that the consumer is paying somewhere in the neighborhood of $250 to $300 million extra each year to the Nation's food bill through a consumer subsidy or hidden tax on peanut products. That's the first point.

The second point, in contrast to the economic hardship of thousands of U.S. farmers, many peanut growers are enjoying profit margins of 60 to 80 percent as a result of the Government's Peanut Program.

The third point, the economic contrast between peanut growers with quota and other commodity producers is stark. We will show in a moment that the net returns to peanut quota holders are 4 to 20 times greater than the producers of competitive crops, including corn, cotton, soybeans, sorghum, and wheat.

The fourth point is that we are not talking about small family farms for the most part. USDA data indicates that, for example, there are at least 12 peanut farms who produce on more than 1,000 acres each, and they produce—the subsidy that would go to them over and above their costs and returns on capital and on labor amounts to at least a quarter of a million dollars each year as a result of the consumer subsidy.

Let me now just briefly highlight these four points and then summarize our recommendations for the 1985 legislation. My first chart illustrates a 28-ounce jar of peanut butter which retails for $2.43 in the grocery store. In a free market where anyone could grow peanuts for domestic consumption, we estimate that the price would be on the order of $2.16 or approximately 27 cents less.

Mr. **Rose**. Can I interrupt you?

Mr. **Bateman**. Yes.

Mr. **Rose**. On page 1 of your statement, "Hidden Tax on Consumers," you say, "A 1-pound jar of peanut butter retailing for about $1.30."

Mr. **Bateman**. Yes, and I have gone from a 1-pound jar there to a 28-ounce jar here because that happens to be what my slide is about, but the same numbers apply.

Mr. **Rose**. All right, but I thought you said $2——

Mr. **Bateman**. I did, $2.43 for a 28-ounce jar.

Mr. **Rose**. Well, does a 1-pound jar cost $1.30?

Mr. **Bateman**. Approximately, yes.

Mr. **Rose**. All right. I'm sorry. Go ahead.

Mr. **Bateman**. Basically the point that we want to make with regard to peanut butter, peanut candy, and other snack foods, salted peanuts, is that the Government support program adds more than 10 percent to the cost of those products. To support that point, let me turn to the next chart. Chart 2 indicates that the current legislation provides a price support for quota peanuts of 27.5 cents a pound. That has just recently been raised to 28 cents, and that is what the consumer, the American consumer, must pay for edible peanuts.

In contrast, recent USDA cost data indicates that total economic production costs in the United States for peanuts is approximately 19 cents per pound, and in fact there are many farms that can produce at 12 cents a pound, according to the data that we have looked at. In a free market, our analysis indicates that the total economic costs of 19 cents are inflated for at least two reasons, and that in a free market the costs would approximate 15 to 15.5 cents a pound.

The two reasons, in terms of how the current program inflates production costs and the USDA estimates, are as follows: First, land values are inflated by almost 2 cents a pound because quotas attached to the land have significant value. The quotas themselves, for example, in Georgia rent for 6 cents a pound without the land.

The second reason that the USDA cost figures are inflated vis-a-vis what they would be in a free market is that the quotas were assigned decades ago to farms which are no longer as productive as they once were. Quotas are assigned to land in some areas where the yields are less than 1,000 pounds an acre because water is no longer there and the nutrients have been depleted from the soil. At the same time there is land in other regions, not far distant, which is capable of producing 3,000 pounds an acre, and those farms are excluded from the quotas, so that in a free market you would have some redistribution of land and the result would be approximately a 2-cent drop in production costs.

So in a free market we estimate that production costs would drop from the current level of 19 cents a pound to about 15 cents a pound. The excess profits—and, for example, even if you take the 19-cent-a-pound current production cost level and you take the 27.5 cent support price, you have built in a 44-percent profit margin. Vis-a-vis a free market cost, you have built in about a 76-percent profit, excess profit margin. When I say "costs," I am talking about the variable costs, the fixed costs, and also the returns to land, labor, and capital. That's what I define as the economic costs, and that's the way the USDA defines them in their most recent work.

I see my time is gone. Let me just highlight one or two things. The next chart indicates the kinds of the size of the returns to peanuts vis-a-vis other crops, and what it will show as we move to the next chart is that on a national basis the returns to peanuts since 1975 have been about 4 to 10 times the net returns to farmer inputs than you can get in wheat or corn or soybeans or the other crops.

Now the interesting thing to me is that during the late 1970's when prices were high for most crops, there were no complaints from the farming community or very few complaints. During that period of time soybean and corn returns were about $100 an acre.

Peanut returns under the quota program are $300 an acre. Another way of stating this is, if we wanted to copy the Peanut Program for these other crops, what would the result be?

The next chart, please.

Basically, soybeans would be selling at almost $14 a bushel. Corn would be at $4.77 a bushel. Wheat would be close to $13 a bushel. Those prices are not needed, I don't believe, in order to stimulate production.

Mr. ROSE. You just sold the program then.

Mr. BATEMAN. I'm sure I did. [Laughter.]

Mr. ROSE. Yes, sir. Mr. Roberts even signed on then. Go ahead.

Mr. BATEMAN. I believe any farmer would sign on, on this program. No reason why he shouldn't.

Let me get to my last point and then I will just summarize my recommendations. Who receives the benefits of these profits over and above the costs of production plus the returns to the land, labor, and capital, which we estimate in a free market are 76 percent of the costs? One of the things that we know is that in the latest census of agriculture there were 12 farms with more than 1,000 acres. Their share of that hidden subsidy would be approximately $3.1 million, or about a quarter of a million dollars each.

The industry is becoming more and more concentrated over time because the program is really allowing the large farms to buy up the quotas or to lease them. For example, on the next slide we point out that the benefits of the program are going to—3 percent of the farms, for example, receive a $60 million subsidy out of this $250, $260 million, or 23 percent of the total subsidy. Seventeen percent of the farms receive 60 percent of the benefits of the program, so it is becoming an highly concentrated industry, at least in terms of the benefits that are being allocated.

We do know that the quotas are so valuable that 67 percent of the quota on acreage less than 50 acres are now sold or being leased, and we know that 50 percent of all the quotas are being leased. In Georgia, for example, it's in the 6 to 8 cent a pound just for the quota itself.

Let me summarize now our recommendations, and then if there are any questions we will take them gladly. The analysis that we present to you in the larger document concludes that the U.S. Government should seriously consider at least phasing out the quota price support system. The advantages of a phaseout are as follows:

One, U.S. production in our estimation will increase from about 4 billion pounds a year to almost 5 billion over the next 5 years. In contrast, production under the current program will stagnate at its current level, at 4 billion pounds. There is almost no growth on the consumption side because we've got the support prices for U.S. peanuts so high. For example, U.S. consumption in per capita terms has not grown at all since 1978, and in total terms has only grown at about a 1 percent rate per year, which is equal to the population growth rate.

Peanut farmer revenues will increase above current levels, in our analysis, because the increase in production and consumption will more than offset the price declines, and we do indicate that there will be price declines from a support price point of view. Although profit margins will drop to a more reasonable range of 10 to

20 percent, peanut farming in a free market will still compete favorably with alternative crops.

A very important point from our point of view is that peanut export volumes and earnings will increase considerably over the next 5 years as we move toward a more free market-oriented system because production costs will drop by 3 to 4 cents a pound. That will make us even more competitive in the world market.

Finally, consumer expenditures will remain about the same as the peanut consumption grows at a rate of 3 to 4 percent a year, and the American consumer will be able to consume about 200 to 300 million more pounds of peanuts at about that same price.

Thanks very much.

[The prepared statement of Mr. Bateman appears at the conclusion of the hearing.]

Mr. **Rose**. Mr. Bateman, I was out in Anadarko, OK with Glenn English on Monday, and there was a peanut farmer who was there and had seen that chart, that first chart you had, the one that says that the current Peanut Program is costing the American housewife $250 million a year. He said that he wished you all had gone on and told the whole story, and that was that if the American housewife bought generic brand peanut butter, that she could save $1.15 billion a year. [Laughter.]

Mr. **Bateman**. That's a very important point. Basically what that does indicate is that the peanut butter market is a very highly competitive market, and in fact we have looked at the margins and those margins, for example, for the manufacturer are about 5 to 6 percent versus the peanut margin at about 44 percent on USDA numbers.

Mr. **Rose**. What it said to me is that it's a long way from the branded peanut butter price, with all the high-cost advertising and consultants and things that go into making that stuff sell, and what generic peanut butter sells for in the grocery store.

Mr. **Bateman**. Mr. Chairman, we have not used the branded peanut price. We have used the USDA-supplied price, which is an average.

Mr. **Rose**. OK. Mr. Hatcher.

Mr. **Hatcher**. No questions, Mr. Chairman.

Mr. **Rose**. Mr. Roberts.

Mr. **Roberts**. No questions.

Mr. **Rose**. Mr. Thomas.

Mr. **Thomas**. Just one or two. Dr. Bateman, have you ever farmed?

Mr. **Bateman**. My dad has, and I do, I am a part owner of our farm, yes.

Mr. **Thomas**. But you haven't actually farmed yourself. You've got an idea of what——

Mr. **Bateman**. As a young man I did.

Mr. **Thomas**. You know that peanuts, like crops like tobacco, are specialty-type crops that have a very high, intense capital investment per acre in them——

Mr. **Bateman**. I am aware of that, yes.

Mr. **Thomas** [continuing]. And that there is a good bit of expertise in growing a crop of peanuts, as there is in tobacco.

Mr. **Bateman**. Yes.

Mr. **Thomas**. I just want to say those things because that goes back and has as much bearing on there being a program for these very—I call them complex and specialized crops—as anything. The crop programs were originally designed to do one thing, and that was to help an orderly marketing process be carried out and to give some order to what could be a very chaotic marketing experience.

I was very interested in that, and I was of course extremely—I guess to some degree perplexed when you began to compare what a peanut program overlaid on other crop enterprises would translate into. You were getting pretty close there in some of those figures to what would be a profitable price for these other crops. Soybeans, for example, I think in looking at my own State figures in Georgia it would take about a $2.50 to $3 a bushel price higher than the current market price to even make those profitable. In the case of corn we would nearly need a doubling, in fact a doubling of the market price there.

The point is—and this is what I think you need to realize and I hope you remember, and it's the very point I tried to make to Mr. Goldberg earlier—that the prices that we are producing at now, we cannot sustain this production. There seems to be some fallacy in those who advocate this kind of a market-oriented policy, that we can continue to sustain the amount of production that the United States does in all of its commodities, even at lower prices. That is being advocated, and there are apparently those of you who feel this can be done, in the face of some of the most compelling evidence that has ever come before this Congress about the economic plight of agriculture in this country, commodity-by-commodity, farm section by farm section, and yet this is what you continue to advocate. As an economist I hope you will look at the other side of the issue and look really broadly at the farm economic scene as you continue to advocate and support your approach to these type programs.

Mr. **Bateman**. May I make two quick comments on your statement? One, the complexities of peanuts are taken into account in terms of the costs that are there because the capital has been built into those costs, and the return on the capital is built in there. The second point is that it may well be that it would take another $2 or $3 a bushel to grow corn or wheat in your area, but your areas aren't the prime areas for corn and wheat.

Mr. **Thomas**. I will take that as some truth because we do irrigate corn in Georgia, but I will tell you that those prices if you look at them nationwide—and a lot of us have done this—production costs do not differ that much area to area, because if you have higher producing areas you have higher cost of land and so forth, and so that doesn't really wash there, Mr. Bateman. A good economic statement, but from a practical standpoint it doesn't hold water, sir.

Mr. **Bateman**. I think you would find that the soybean farmers anywhere in the Nation would be very pleased at $14 a bushel and would grow you all the soybeans you wanted.

Mr. **Thomas**. That would be for sure. Thank you again. That's all my questions.

Mr. **Rose**. Mr. Franklin.

Mr. **Franklin**. No questions.

Mr. Rose. Mr. Whitley.

Mr. Whitley. Mr. Chairman, I can't resist just a couple of comments.

How much was it you said the profit is in peanuts? Eighty percent?

Mr. Bateman. For some farmers it gets as high as 80 percent or higher.

Mr. Whitley. For some farmers it gets 80——

Mr. Bateman. A number of farmers.

Mr. Whitley. Raise your hand, anybody in the room that knows of any 80 percent profits. I don't see any. [Laughter.]

Also, you said there were about 12 big growers that profit. What about all the thousands of little growers?

Mr. Bateman. They are getting less and less because they are selling their quotas.

Mr. Whitley. But 98 percent of them are in favor of this program.

One other question. You showed us a picture of a 28-ounce jar of peanut butter, and I think you said some kind of average USDA number on it was $2.43 for a 28-ounce jar of peanut butter?

Mr. Bateman. Yes.

Mr. Whitley. Can you tell us how much of that $2.43 the farmer got for the peanuts that are in that jar of peanut butter.

Mr. Bateman. Yes, I can.

Mr. Whitley. How much is that?

Mr. Bateman. I can give you all the rest of the breakdown on it, too.

Mr. Whitley. How much of the cost of that $2.43 is peanuts, pure peanuts?

Mr. Bateman. 72 cents.

Mr. Whitley. 72 cents worth of peanuts in that 2-pound jar?

Mr. Bateman. Yes, 28-ounce jar.

Mr. Whitley. That's considerably less than one-third.

Mr. Bateman. It's 35 percent, just over one-third.

Mr. Whitley. OK. What are you advocating about all the other costs that go into that? You are not going to do anything about that. This is the only one you're trying to control.

Mr. Bateman. No; in fact, what will happen, because the raw price is inflated, it inflates everything else through the system. For example, if you are a sheller and you buy a higher priced product, then you have got to borrow more money and so you have to pay more interest on it, and it works its way all through the system, so in fact these other costs will drop, too. In fact, we have tried to take a conservative approach in terms of estimating the savings, but I would be glad to give you a breakdown of the rest of the costs to show you what they are.

Mr. Whitley. But about 35 percent of it, you say, is the cost of the peanuts, and that means that almost two-thirds of it, right at two-thirds of it, are things other than peanuts.

Mr. Bateman. That's right. For instance, about 10 cents goes to the sheller.

Mr. Whitley. You had those two numbers over there; 3 percent were big and 17 percent were medium size. That adds up to 20 percent. That means the other 80 percent are small farmers. Is that right?

Mr. Bateman. That's right.

Mr. Whitley. Right. Thank you.

Mr. Rose. Gentlemen, thank you for your presentation. It's always good to have you before us, Mr. Wampler. I hope and still have some hope that some day growers and producers of peanuts and the manufacturers such as you represent can come to a better understanding of just the direction the peanut program should take.

Mr. Wampler. Mr. Chairman, may I respond to that, please?

Speaking on behalf of APPMI and our membership, I want to assure you that we stand ready and willing to work with you, the other members of this committee and the other body, the administration or anyone else, in trying to find a way to move this program to a more market-oriented posture. We recognize the emotionalism that is involved in both sides of this argument, but I do believe that from my study of the total industry of the last 18 months—and let me say I don't think my basic concern for the producer has changed—my outlook on the total industry certainly has broadened considerably, and what really concerns me—and I think Dr. Bateman's study clearly reflects this, and from my own study and investigation—is that the peanut product industry, domestically speaking, is reaching a point of stagnation. There has been no growth. We are facing greater competition from other commodities, particularly in the snack food items, where the growth there has been nothing short of spectacular. I am concerned about the future of this industry because, unless we have a domestic market as reflected by consumers willing to pay a reasonable price as it might compare to other competitive commodities, we are going to see a serious reduction in consumption.

Therefore, again I want to make it as clearly as I can and as sincerely as I can, that I know of no member-company of APPMI that does not recognize and appreciate the fact that the producer must have a reasonable expectation of a profit or he is not going to grow peanuts. We understand that, but I think that applies right across the entire industry. We have got to get competitive and, frankly, I don't think we are going to achieve that if we extend the existing program.

Mr. Rose. Have you all extended to the national peanut growers group your evidence that the peanut industry is stagnant so far as the products are concerned?

Mr. Wampler. We have made copies of Dr. Bateman's study available to the leadership in that organization, and we did at the same time that we made it public, and we stand ready to answer any questions that they might have or you might have on the study or any other aspect of the peanut program.

Mr. Rose. We are going to have a panel with Mr. James Earl Mobley from Alabama, and Ross Wilson, and Russell Schools, here in just a few minutes. If you all will excuse us, we need to go vote, and I am going to come back and see if we can't finish what we have set up for the morning session hopefully by 1 o'clock, and then maybe we can take a short recess for lunch and come back at 1:30. We may not even be able to adjourn for lunch. I want to thank all of you for being here. The subcommittee will stand in recess while we go vote.

[Recess taken.]

Mr. ROSE. If the members will come in and take their seats, we will try to resume the hearing.

I would like to put in the record a letter from the Honorable James Graham, the commissioner of agriculture for the State of North Carolina.

[The letter from Mr. Graham appears at the conclusion of the hearing.]

Mr. ROSE. We would welcome Mr. Norfleet Sugg of the North Carolina Peanut Growers Association for any comments he might like to make.

STATEMENT OF NORFLEET L. SUGG, EXECUTIVE SECRETARY, NORTH CAROLINA PEANUT GROWERS ASSOCIATION

Mr. SUGG. Thank you, Mr. Chairman. I am Norfleet L. Sugg, the executive secretary of the North Carolina Peanut Growers Association. We have 29 members on our board of directors and all of them are active peanut growers. My comments are on behalf of our association's board of directors, representing over 9,000 peanut farms in North Carolina.

Mr. Chairman, the peanut growers of North Carolina are pleased and honored to have one of their native sons and a distinguished Member of the U.S. Congress serve as chairman of the House Subcommittee on Tobacco and Peanuts. We do appreciate your professionalism, and humanness; and we admire your willingness to listen to our concerns in a responsive way.

We have personally surveyed peanut growers in our State's 15 largest peanut-producing counties concerning their insight into future peanut legislation. Their response at these county peanut meetings was an overwhelming 98 percent in favor of continuing a poundage quota price support program. Why? Because the present legislation works. This supply management program has provided a continuous and dependable supply of high-quality peanuts at reasonable prices to consumers and little cost to the Federal Treasury, while providing an opportunity for growers, shellers, and manufacturers of peanut products to make a fair return on their investment. The two-price system, using quota peanuts in the domestic market and additional peanuts primarily in the export market, has worked well and we recommend its continued use. The United States presently exports about 25 percent of our peanut production and supplies 50 percent of the world's edible peanut trade. This accomplishment has helped our Nation's balance of payments, while removing costly surpluses from the market.

The administration's proposed peanut legislation for the 1985 farm bill is a disaster. It would break many peanut growers, dislocate production, shelling, and processing, and result in "boom and bust" supply cycles with a greatly increased cost to the Federal Treasury.

Mr. Chairman, the North Carolina Peanut Growers Association supports the position of the National Peanut Growers Group, a federation of peanut grower organizations representing growers in

Virginia, North Carolina, South Carolina, Georgia, Alabama, Florida, Oklahoma, Texas, and New Mexico. Mr. James Earl Mobley serves as chairman of the National Peanut Growers Group, and he will offer our official legislative position.

We want to thank you and members of the subcommittee for giving us an opportunity to present our position on peanut legislation for the 1985 farm bill. We are also honored to have two other veteran Congressmen serve on the subcommittee from North Carolina, namely, Congressman Walter B. Jones and Congressman Charles O. Whitley.

I thank you, Mr. Chairman.

Mr. ROSE. Thank you, Mr. Sugg. We appreciate your being here. I personally thank you for your kind comments about me, and I certainly look forward to working with you and the North Carolina Peanut Growers Association as we try to develop a good peanut bill.

Any comments or questions?

[No response.]

Mr. ROSE. Thank you, sir, very much, for being with us.

Mr. SUGG. Thank you.

Mr. ROSE. Our next witness is Mr. Bob Nash, president of the Georgia Farm Bureau Federation, from Macon, GA.

Bob, we are glad to see you again and always welcome you to this subcommittee.

STATEMENT OF ROBERT L. NASH, PRESIDENT, GEORGIA FARM BUREAU FEDERATION, AND MEMBER, BOARD OF DIRECTORS, AMERICAN FARM BUREAU FEDERATION

Mr. NASH. Thank you, Mr. Chairman. We appreciate the opportunity to come here today and certainly appreciate the fact that we have two of our Congressmen here this morning, Congressman Thomas and Congressman Hatcher, as well as other Congressmen who have testified before this subcommittee on behalf of peanuts. We appreciate their interest and concern.

Today I would like to present the position and policy of the American Farm Bureau Federation, which we in Georgia concur with, and because of my serving as a director also of that organization, I would like to present for the record their policy.

The Farm Bureau policy is debated and amended and revised by voting delegates from each of our member-States. At our 66th annual meeting in January, our delegates adopted policies regarding farm programs in general and policies specific to the peanut programs. Our general farm program policy on peanuts states:

> We support continuation of the present peanut program. The peanut program should be effectively administered, and we support the efforts of the growers and of USDA to develop expanded export markets for peanuts.

The peanut policy that I have referred to fits within the broad framework of Farm Bureau policy objectives. These objectives include improving the net farm income, allowing the producer to take the maximum advantage of the market opportunities at home and abroad, and limiting Government expenditures. The policy that would best offer prosperity to U.S. agriculture would be a commitment to fiscal responsibility and reduction of overall Federal spending and in order to get the interest rates down, currency exchange rates in line, and exports back into the world market. We therefore continue to support the freeze on Government spending at 1985 levels.

The American Farm Bureau Federation believes that the present peanut program has served the interests of the U.S. peanut producers and the industry as a whole. The current Peanut Program has resulted in stable markets for peanut producers, a reasonably healthy supply and demand relationship, and continued strength of the U.S. peanut exports into the world market. United States consumers are assured of a high-quality edible peanut. These accomplishments have been achieved at little Government cost since this program was put in effect in 1981, the last farm bill program. The annual cost recently has been around $5 million. Compared to the sharp cost increase of other commodity programs that have not been nearly as effective in assisting the industry, these costs are negligible.

Our peanut producers have recommended certain changes in the current Peanut Program under the 1985 farm bill. One, quota peanut support price: We recommend that the minimum support price for quota peanuts in 1986 be maintained at the $559 per ton. We believe that the current method of determining the quota support price upon the cost of production estimates should be revised. We propose that the support rate for quota peanuts be modified to reflect the average percentage change in the index of prices paid by farmers for production items, interest, taxes, and wage rates for the previous year compared to the year earlier.

Two, the national poundage quota: We also believe that the national poundage quota should be established at the level of the previous 3-year average of domestic, edible, and seed use. In order to avoid abrupt changes in the poundage quota, the Secretary would be given the discretionary authority to further modify the quota by up to 5 percent if the supply and demand projections justified such modification.

These changes will revise the program so that it operates in accordance with market signals related to the demand and the producer's costs. Some of the discretion in the manipulation of the support mechanism is therefore eliminated from the Peanut Program. The program would be greatly improved by adopting these revisions.

Other than these changes, we strongly support retention of the current Peanut Program. The industry has operated efficiently in this type of a program and we therefore believe that it should continue to serve the needs of the producer, the consumer, and the export customer.

We believe that all of agriculture will be better served by an increased effort in the area of export expansion. Agriculture must maintain a competitiveness in the world markets in order to sustain this viability. The proposal developed by the American Farm Bureau Federation includes a greatly expanded trade section. Included in these efforts would be funding for the CCC Export Credit Revolving Fund, intermediate credit programs, an increase in Public Law 480 funding, and a bonus export program. Through these efforts peanut producers and all of agriculture will realize improved commodity prices, and net farm income will be increased.

Mr. Chairman, I want to thank you and the Tobacco and Peanuts Subcommittee today. The Farm Bureau will work closely with the House Agriculture Committee in developing a sound a fiscally responsible farm bill, and I would be happy to respond to any questions you may have.

[The prepared statement of Mr. Nash appears at the conclusion of the hearing.]

Mr. ROSE. Thank you, Bob Nash.

Lindsay Thomas.

Mr. THOMAS. I have no questions, Mr. Nash. I just want to say that I certainly, as a member of this committee, appreciate Georgia's support of a very important crop enterprise to us, the Peanut Program in Georgia. It's always good to have you up here representing a statewide organization. Thank you for your testimony.

Mr. NASH. Thank you.

Mr. ROSE. Mr. Roberts.

Mr. ROBERTS. No questions.

Mr. ROSE. Thank you, Bob, very much.

At this time I want to call for a panel: Mr. James Earl Mobley, chairman of the National Peanut Growers Group, Shorterville, AL, accompanied by Mr. Ross Wilson, the secretary-treasurer of the National Peanut Growers Group from Gorman, TX, and Mr. Russell Schools, the vice president of the National Peanut Growers Group from Capron, VA.

Gentlemen, we are glad to have you. You may proceed.

STATEMENT OF JAMES EARL MOBLEY, CHAIRMAN, STEERING COMMITTEE, NATIONAL PEANUT GROWERS GROUP, ACCOMPANIED BY RUSSELL SCHOOLS, VICE CHARIMAN, AND ROSS WILSON, SECRETARY-TREASURER

Mr. MOBLEY. Thank you, Mr. Chairman. I am James Earl Mobley, a peanut farmer from Shorterville, AL. I am president of the Alabama Peanut Producers Association and chairman of the National Peanut Growers Group. Seated with me on my left is Mr. Russell Schools, vice chairman of the National Growers Group, and also Mr. Ross Wilson from Texas who is the secretary-treasurer.

The National Growers Group is a federation of 12 State and regional producer organizations representing the vast majority of the Nation's 57,080 peanut farms. The Peanut Belt stretches from northern Virginia to eastern New Mexico. The National Peanut Growers Group has developed a consensus position regarding new peanut legislation. We are submitting a formal statement of this position for inclusion in the hearing record, which I will summarize.

Mr. ROSE. Without objection, your statement will be made part of the record. Just go ahead.

Mr. MOBLEY. Thank you, Mr. Chairman.

Mr. Chairman, we have studied the administration's legislative proposal which has been submitted to Congress. It is our considered opinion that the proposal is poorly conceived and totally destructive to the system of production, inspection, marketing, and processing of peanuts in this Nation. We also contend that the proposal will adversely affect the consumer.

The administration's proposal would drastically reduce farm income and pose a further serious threat to thousands of family farms from Virginia to New Mexico, disrupt orderly production, and create "boom and bust" cycles in domestic edible peanut production, result in erratic supplies of peanuts with the potential for widely fluctuating prices, and basically increase program costs in the short term. According to the Department's estimates, the first year program cost will be $75 million, enough to maintain the current Peanut Program for 15 years at the present level. It would undermine the rigid quality control program which is built into the system.

Mr. Chairman, I would like to expand briefly on the impact that the administration's proposal would have on consumers. It has been alleged that the elimination of the current program would result in lower retail prices for peanut products. This is based on the assumption that lower farm prices will translate into lower consumer prices. Historically this has not proved to be true. Since 1977 the support price for domestic edible peanuts has increased only 28 percent; over the same period the retail price of peanut butter has increased at a rate of 2.5 times faster. Program detractors are quick to suggest lower farm prices will result in reduced retail prices. My question to the program detractors is: How much?

Mr. Chairman, peanut growers from across the belt strongly support continuation of the existing Two-Tier Peanut Program with minor modifications. We contend that this program is unique in legislation. It has performed precisely as its authors intended. This is a masterful blend of supply management and market orientation which has achieved the following results: reduced Government program costs to one-tenth of 1 percent of all major farm commodity costs to CCC from 1977 through 1983; provided consumers with a plentiful supply of high-quality edible peanuts at reasonable prices; maintained stability of the family farmer by assuring him fair and stable prices on the part of production purchased for the domestic edible market; increased U.S. export sales each year since passage of the 1981 Agriculture and Food Act, and has made this country the world leader in the export of edible peanuts. It has suspended the acreage allotments and opened peanut production to all farmers.

Mr. Chairman, peanuts are a commodity which must be grown, harvested, stored, and marketed as a perishable product for human consumption. The present peanut law is designed to accommodate these unique characteristics of peanuts. We do not feel that all commodity programs must be cut in the same mold as the administration bill proposes.

The National Peanut Grower Group, in a series of meetings over the past several months, has developed changes which we feel will substantially improve the program for farmers and consumers alike. Our several recommendations have been submitted to staff. The major changes we recommend are: increase the national poundage quota from 1.1 million tons to 1.3 million tons, which is the current domestic edible consumption for the United States; further, that the subsequent years additional poundage quota shall be adjusted to meet anticipated domestic edible consumption above 1.3 million tons; replace the current formula which adjusts the quota support rate based on the cost of production with a formula which allows adjustment based on a 3-year moving average of domestic edible prices.

We recommend no change in the method of determining the loan rate for additional peanuts at a level which will incur no cost to CCC and allow additional peanuts for excess to the world market. Allow all farmers who have produced peanuts 2 of the last 3 years to share equally in the proposed increase in poundage quota.

Mr. Chairman, several other recommendations which are essentially fine tuning and technical are included in the written testimony and in our recommendations submitted to staff.

In conclusion, the National Peanut Growers Group respectfully submits that the current Peanut Program, with minor modifications, provides farmers a fair and workable program which costs the U.S. Government less than one-tenth of 1 percent of CCC expenditures, assures the Nation's consumers of a reliable supply of wholesome, nutritious peanuts at reasonable price, and has successfully provided entry of American edible peanuts into the world market under the most difficult of economic circumstances.

Mr. Chairman, we appreciate your interest on our behalf and we will be glad to try to answer any questions that come up.

[The prepared statement of Mr. Mobley appears at the conclusion of the hearing.]

Mr. ROSE. What recommendations do you all make about the immediate buy back of additional peanuts by sheller? Do you make any modifications or recommendations on that?

Mr. WILSON. Mr. Chairman, we realize that because of the movement of the 1984 crop, a problem has arisen with the buy-back mechanism as it currently exists in the law, or with ramifications of the buy back, better stated. Our Growers Group is currently addressing that problem now. We have not finalized our recommendation but I can say that we all unanimously recognize that there is a problem and, again, we unanimously have expressed the desire and the willingness to work together to bring about a solution. We will do this and we will be bringing it to your committee very shortly.

Mr. ROSE. I mean, I'm sure you understand that it would be a lot better if these are things you could settle among yourselves rather than to ask us to settle. You haven't, but you are all aware that there is some difference of opinion there. What you said is fine.

Mr. WILSON. Yes, we agree with you.

Mr. ROSE. As soon as you can give us those recommendations, we would like to have them.

Mr. MOBLEY. We will be working on this goal, Mr. Chairman, to get unity.

Mr. ROSE. Mr. Mobley, what can you tell me or what can you tell the subcommittee about any discussions that you all have had with Bill Wampler and the American Peanut Product Manufacturers organization?

Mr. MOBLEY. We have met on several occasions, Mr. Chairman. We have not reached a conclusion that we would sink the American peanut farmer in lieu of that type of program. We see a wide spread in the prices of peanut butter in the marketplace even now, even though they say there is a hidden tax there.

Mr. ROSE. How wide a disparity do you notice?

Mr. MOBLEY. Do you have any figures, Russell, on that?

Mr. SCHOOLS. On the peanut butter?

Mr. MOBLEY. Yes.

Mr. SCHOOLS. I haven't got those but we can get them.

Mr. MOBLEY. We have some charts that we would be glad to show the subcommittee if they would like to have them.

Mr. ROSE. Where are they?

Mr. SCHOOLS. I am going to hold it up and let him explain it.

Mr. ROSE. All right.

Mr. WILSON. This chart depicts what has already been pointed out in some earlier testimony, Mr. Chairman, and that is that there is a wide disparity in the price of wholesale peanut butter. In the last 7 years, 1977 to 1984, this price has advanced approximately 71 percent while the price of peanuts at the farm level has advanced only 28 percent, and the price of candy and confectionery products has advanced about 56 percent or roughly twice the level, at twice the rate as the farm level of peanuts.

Mr. ROSE. Well, isn't that in conflict with what Mr. Bateman's survey said?

Mr. WILSON. It is in direct conflict, Mr. Chairman, and we submit that——

Mr. ROSE. What are you all doing, looking at different figures? Could you comment about that? I am interested in seeing all of your slides if you've got others there that are relevant to what we're talking about.

Mr. WILSON. We submit, Mr. Chairman, that Mr. Bateman presented a problem and we think he presented the problem in reverse. We think there is indeed a hidden tax. We are not sure what the amount is but we think the hidden tax is what we have just shown you here. It is the difference in the rate of the advance in price of wholesale peanut butter and candy versus the price of farmer-stocked peanuts at the farm level. To answer your question, our numbers basically came from the Bureau of Labor Statistics.

Mr. SCHOOLS. Let me show you another very interesting one, Mr. Chairman. The green line is the wholesale price for peanut butter. From 1977 up through 1983, that is the green line. The blue line right here is the peanut farm price quota, and you can see how much this has changed from 100 as the price of peanut butter has changed.

Mr. ROSE. Well, we were very impressed out at Anadarko when this peanut farmer said that he had seen the comments of the American Peanut Product Manufacturers, the same comment that was made here today, and I wish you all would look at that and tell me if that appears to be a justifiable statement, that if the American housewife bought generic brand peanut butter, that she wouldn't just save $250 or $260 million as the Peanut Product Manufacturers say, but she could save $1.15 billion, which is saying that there is a high volatility here in the price of peanuts and that from what your charts tend to say, there is a considerable markup in the price of peanut butter.

However, if you all can't agree—and I'm not fussing, I'm just stating things the way they are—if the Peanut Growers Group and the American Peanut Product Manufacturers are so far apart on a basic question like how much profit or how much money is there in the sale of peanuts, then we do have a communications problem here, don't we? Mr. Schools?

Mr. WILSON. They say that the farmer is making 80 percent profit. I'm a peanut farmer, I'm not a technician, but I can submit to you that that financial statement looks a lot better than mine.

Mr. SCHOOLS. Mr. Chairman, I happen to have with me the figures prepared by our land grant university in Virginia as to the cost of peanuts projected for 1985, which is this crop year. The Virginia Extension Service states that the cost of producing an acre of peanuts in the State of Virginia in 1985 will cost $666 per acre, excluding anything for land or management. Those figures are drastically different from the ones that were presented by the manufacturers, and this was prepared by the land grant university.

Mr. ROSE. All right. Any other comments that you gentlemen would like to make?

Mr. MOBLEY. We will submit to you these figures for your committee's use, Mr. Chairman.

Mr. ROSE. Thank you very much.

Any comments from members of the panel? Mr. Roberts.

Mr. ROBERTS. Yes, Mr. Chairman. Thank you. I apologize to the chairman in my prior remarks for having a lack of clarity in regards to the ray of sunshine I was trying to shine here on the subcommittee. I always try to shine the light of truth into darkness. Perhaps it was convolved at that time. I'll just have to go to school with the chairman in regard to this program, but I was very much interested in Mr. Bateman's example—pardon me, Dr. Bateman's example—in regard to wheat selling for $13 a bushel if we put the Peanut Program on the Wheat Program.

However, it occurs to me that if we go down the same kind of allotments and quotas, the average size farm in my district, in the First District of Kansas, is about 1,000 acres—that doesn't mean everybody has that, but that is the average—and I have a feeling that we would probably end up selling half and then be required to feed half, and then have an acreage base of about 250 acres or maybe 100. That was the point I was trying to make. If we can simply export our base with the Wheat Program down South and have the freedom to do so, I know there are areas or there are peanut production areas in certain States, but you cannot go across county lines. That's why I said that the elephant might want to not only enjoy peanuts but maybe grow peanuts if he could wander across county lines.

Now, I don't want to meddle with this program but it seems to me that one of the proposals here that I have heard about, that perhaps you gentlemen could help me out on, is in the buy-back area, the buy-back program. How much is in the pool now, in the buy-back pool? $16 million? Is that where we are——

Mr. WILSON. I don't have the numbers for the 1984 crop. I think it would be less than this.

Mr. ROBERTS. But it's in good shape?

Mr. WILSON. Well, if you say it is in good shape, we——

Mr. SCHOOLS. Are you talking tons or dollars or what, sir?

Mr. ROBERTS. Dollars.

Mr. SCHOOLS. Dollars? In the Virginia-Carolina area, in the pool is somewhere in the neighborhood of, what, $30 or $32 million?

UNIDENTIFIED SPEAKER. $35 million.

Mr. SCHOOLS. $35 million which will be prorated back to the producers who put peanuts through that pool.

Mr. ROBERTS. I think the figure I am referring to was for the State of Texas, and I apologize for that——

Mr. MOBLEY. Texas, that would be close.

Mr. ROBERTS [continuing]. But what I am trying to get at here, it's my understanding that right now in regards to the buy-back program, that that can be sold by individual farmers—now is that correct—as opposed to the association? My question to you is, how can we improve this program without making it more restrictive, if the association takes over that role?

Mr. MOBLEY. If the association takes the role?

Mr. ROBERTS. Yes, sir. I guess my remarks should be addressed to Mr. Wilson, because I know you have a specific interest in this area.

Mr. WILSON. The problem that has originated with respect to a ramification of the buy-back procedure, is that we have had—as someone I think pointed out earlier this morning—some one-on-one dealings between handlers and growers whereby handlers are given pool assignments——

Mr. ROBERTS. Yes.

Mr. WILSON [continuing]. And when you go through all the exercises that are involved in this procedure, the bottom line is that the handler has paid less than the quota support rate for peanuts that were put in the domestic edible market. Nobody has intended this.

We are looking at a number of ways to possibly correct this. One of those, as you suggest, is to have the noncontracted additional peanuts move through the three area peanut grower associations and have those associations let the handlers who are interested bid on those peanuts——

Mr. ROBERTS. Well, let me interrupt you, Mr. Wilson, at that point, to make one thing clear. I am not suggesting that. That is one of the suggestions that I have heard, and my question is, how does that improve the program or how does that improve selling more product? Is that not restrictive?

Mr. WILSON. I don't think it's restrictive. I think you still sell the product if there is a demand, because we're talking about essentially the same price. You're talking about some additional paperwork through the association, perhaps, but I don't think you are talking about anything any more restrictive or anything inhibitive, more than we have now.

Mr. ROBERTS. Is this part of the total agreement that you are going to be working out?

Mr. WILSON. This is one of the processes under discussion. We have not reached agreement, but this is one of the items that we are considering, along with several others, as possible solutions to this problem.

Mr. ROBERTS. I would just tell the chairman I have some feeling about that in regard to the direction and the intention of the 1981 act, and in view of the gentleman's statement in regards to Mr. Mobley, where we say we have solved the issue of the right to grow. I'm not too sure that if we go down that road, that we have solved that.

I have no further questions, Mr. Chairman.

Mr. ROSE. Thank you. Thank you, sir.

Gentlemen, we appreciate your testimony and thank you for what you have had to say. We look forward to hearing more from you as time proceeds.

Mr. MOBLEY. Thank you, sir.

Mr. ROSE. Is Mr. Kenneth Stephens from Atascosa County here? On the witness list you are in a special line all by yourself. They didn't even put a number by it, so you are going to get the floor by yourself here.

Mr. STEPHENS. It's good to see you, sir, in Washington as well as in Pleasanton, TX.

Mr. ROSE. Yes, sir.

Mr. STEPHENS. We appreciated your coming to our county.

STATEMENT OF KENNETH STEPHENS, PEANUT FARMER, ATASCOSA COUNTY, TX

Mr. STEPHENS. Mr. Chairman and members of the subcommittee, I am Kenneth Stephens, a peanut producer from Atascosa County, TX. The Peanut Program works well for peanut producers in the South Texas area, including Atascosa, Wilson, and Frio Counties.

I wish to go on record as endorsing the position of the National Peanut Growers Group as presented here today.

The Peanut Program offers a no-cost, no-frills approach in the marketing of a high-cost, high-risk agricultural commodity. The program has the capacity to adequately supply both the domestic and export markets and is sufficiently flexible to increase total supplies as the markets expand. Farm programs that provide ample supplies of the commodity for both domestic and export markets at negligible cost to taxpayers are hard to find. The Peanut Program does this.

The program is no bonanza for farmers as some would have you believe, but it does offer us an opportunity for a decent return in those years which provide anything like reasonable weather conditions. My message is that the program as we know it must be retained. Its basic concepts are sound and workable, as proved by many years' experience.

I would like to leave you with one note as expressed by a hungry tractor salesman in the Atascosa County meeting: "Gentlemen, if you have a Swiss watch you can replace it with a Timex or whatever; if you have a Toyota pickup you can replace it with a Ford or a Chevrolet; but what in the world are you going to do if you lose the American farmer?"

Thank you for permitting me to make this statement.

Mr. ROSE. Thank you, Kenneth. We appreciate your being here, sir. We're glad to have you. You are always welcome.

Mr. Evans Plowden, Southeastern Peanut Association, Albany, GA, accompanied by Mr. Tom Chandler.

Mr. PLOWDEN. Mr. Chairman, the agenda did not show Mr. John Anderson. I would request the chairman's permission to include him.

Mr. ROSE. Certainly. We are delighted to have all of you.

STATEMENT OF EVANS J. PLOWDEN, JR., GENERAL COUNSEL, SOUTHEASTERN PEANUT ASSOCIATION, ACCOMPANIED BY TOM CHANDLER AND JOHN ANDERSON

Mr. PLOWDEN. Mr. Chairman, I am Evans Plowden, general counsel for the Southeastern Peanut Association, and I have been requested by the association to present to your subcommittee the position of the association in connection with the peanut section of the farm bill.

Our association was formed in 1919, and is an association composed of all the commercial peanut shellers and crushers who have operations in the States of Georgia, Florida, and Alabama. It is the oldest existing organized group in the American peanut industry. We appreciate this opportunity of presenting these views to your subcommittee.

Traditionally, our association has supported the peanut growers in connection with legislation affecting the peanut industry. Our virtual existence depends upon those men and women who grow the high-quality American peanuts. Without them, there would be no reason for our business. We continue to support the American peanut grower with respect to the basics of peanut legislation.

Over the years peanut legislation has included some provisions which relate to the handling of peanuts after they are produced and sold by the grower. It is with respect to those provisions of any legislation that we direct our particular attention. With regard to those areas, we have been and are continuing to conduct an ongoing dialogue with peanut growers throughout the United States in an effort to reach a consensus, as well as conducting a dialogue with our shelling and crushing counterparts in the Virginia-Carolina area and the Southwest area. It is our desire to work together with growers and other shellers so that legislation may be enacted that provides for a healthy domestic peanut industry as well as continuing the United States as a dynamic force in the international export market.

Our association's position can be summarized as follows:

We recognize that it is desirable that the United States have some type of peanut program that provides stability for the industry, and that a two-price system is probably the most practical and feasible under the circumstances that exist today. We support legislation providing for a price support system that will have the effect of assuring an adequate supply for the peanut market at acceptable income levels for American producers, accompanied by minimal or no cost to the American taxpayer.

We believe that a loophole exists in the present legislation as it relates to buy-backs which, if left open in the new legislation, has the potential to cost the American taxpayer between $50 and $150 million annually. In order to close this loophole, it is our position that future legislation should not include a buy-back provision. While it is true that the buy-back provision provides an avenue to move additional peanuts into the domestic edible trade, there are other avenues available to accomplish that same goal without the potential for huge costs to the Government. The redemption features of the present legislation are entirely adequate to move additional peanuts into the domestic market if that need exists.

Since the creation of the legal category of additional peanuts and the two-price system, physical supervision has been required in order to assure that additional peanuts were not improperly introduced into the domestic market. While all parties interested in the peanut industry recognize the legitimate requirement that additional peanuts be prevented from entering the domestic market, the present physical supervision procedures are unnecessarily burdensome and costly to peanut handlers and, therefore, to peanut consumers, and consequently to the entire industry, especially growers. It has been reliably estimated that the present physical supervision adds a minimum of $20 per ton to the cost of these peanuts.

We propose legislation which would virtually eliminate this wasteful cost, as well as reducing the amount of paperwork by a substantial degree. Since we have previously proposed specific legislative language on the supervision matter, I have taken the liberty of attaching a copy of that language to this paper rather than reading it to the chairman.

Under the present legislation, handlers of additional peanuts are required to either export or crush such peanuts. If additional peanuts are exported and later re-enter the United States, there is the potential under the present legislation for assessment of a substantial penalty and/or substantial liquidated damages against the handler having the export responsibility. After exporting, that handler has virtually no control over the movement of the peanuts. Therefore, it is our position that any penalty or any liquidated damages assessed by the Department of Agriculture should be assessed against the person importing those peanuts into the United States, and not against the responsible exporting handler.

Under the present legislation, the final date for contracting additional peanuts between producers and handlers is prior to April 15. It is our view that such an arbitrary requirement eliminates the natural market and forces all parties to create an artificial market at a time that is irrelevant to the actual marketing of peanuts. We favor legislation that would set the final date for contracting at the time of delivery, during harvest or, as a second alternative, no earlier than August 15 of the year of production.

We believe that any legislation should give the Secretary of Agriculture the authority to increase quota production for a particular crop by 5 to 10 percent if the Secretary should determine that such increase was necessary to meet anticipated demand. We would strongly oppose any legislation that had the effect of forcing peanuts into the Commodity Credit Corporation Loan Program. We would also strongly oppose the establishment of a minimum contract price for additional peanuts.

Mr. Chairman, while we recognize that some differences of opinion exist in connection with the matters described here today, please be assured that we have every intention of continuing to work with all interested parties in an effort to reach a consensus.

Again, our sincere thanks to you and the committee for allowing us to participate in these hearings.

[The prepared statement of Mr. Plowden appears at the conclusion of the hearing; the attachment follows:]

Add after first sentence of Title 7 §1359(i).

Provided, however, with respect to shelled peanuts, Handlers may, in lieu of physical supervision of the handling of additional peanuts, export or crush quantities of peanuts by type determined as follows:

(1) Sound mature kernel peanuts in an amount equal to the pounds of such peanuts purchased by the Handler as additional peanuts;

(2) Sound split kernel peanuts in an amount equal to the pounds of such peanuts purchased by the Handler as additional peanuts;

(3) Other edible quality grade peanuts as defined in "Marketing Agreement for Peanuts (No. 146)" in an amount equal to a quantity determined by multiplying the tons of farmer stock additional peanuts purchased by the average per ton quantity of other edible quality peanuts produced from all farmer stock peanuts purchased by Handler (Quota and Additional);

(4) The remaining quantity of total kernel content purchased as additional peanuts, inclduing loose shelled kernels, shall be exported or crushed domestically.

Evidence of domestic crushing shall be assured by physical supervision and export proof shall be evidenced by on board bills of lading and/or other such appropriate documentation as shall be required by the Secretary. Handler's obligation as described above shall be reduced by a reasonable shrinkage allowance, the amount of which is to be determined by the Secretary. The Secretary may require adequate financial guarantees in order to assure compliance with Handler's obligation. A Commercial surety bond shall be deemed an adequate financial guarantee for purposes of this section.

Mr. Rose. Thank you very much for being here. Do the other gentlemen with you have any comments they would like to make?

Mr. Chandler. Mr. Chairman, we do not. We are here simply to answer any questions that you may have.

Mr. Rose. Thank you both. I don't have any questions. I think that is very clear.

I was getting ready to ask you how you felt about the buy-back, and you answered that rather forthrightly.

Mr. Plowden. Mr. Chairman, I think our present position is, we would favor the buy-back being eliminated from future legislation.

Mr. Rose. Mr. Hatcher.

Mr. Hatcher. I have no questions.

Mr. Rose. Mr. Stenholm, any questions?

Mr. Stenholm. No.

Mr. Rose. You have put it out very succinctly. I can't argue with what you said and I think I understand it very clearly. We thank you all for being here.

Mr. Plowden. Thank you, Mr. Chairman.

Mr. Rose. Is Mr. Richard T. O'Connell here now? I don't think he is here. He was supposed to come at 1:30.

Is Mr. C. Wade Ferguson here from Emporia, VA? Yes, sir. Mr. C. Wade, we are glad to have you.

Mr. Ferguson. Thank you, sir.

Mr. Rose. You are the last witness before lunch, so you can either take everybody's lunch or you could—I'm not——

Mr. Ferguson. I'm sorry you said that because I'm going to have to cut my statement short. If you said "lunch," everybody got hungry right then. I am not going to read this statement. I have filed it with you.

Mr. Rose. Well, now, you can read that if you want to.

Mr. Ferguson. Russell Schools and the others have pretty much said my sentiment so there is no need for me to go clean through it.

Mr. Rose. All right. We will make your statement a part of the record, then.

STATEMENT OF C. WADE FERGUSON, PEANUT FARMER AND BUSINESSMAN, EMPORIA, VA

Mr. Ferguson. Thank you. Mr. Chairman, I thank you for letting me appear before you and tell some of the problems that are facing our county and our State and our Nation in peanuts.

The problems, of course I am sorry that I have heard some statements I heard here today, because my computer and my folks are either dumb or don't know what they're doing. I have heard it said here today, as high as $80 profit. I have not raised peanuts at 3,000 pounds to the acre. I have not raised peanuts at 3,500. I have raised peanuts at 4,000 pounds to the acre, which is 10 to 12 bags higher than our State average, and I haven't made any money.

I went in the peanut business when I was 7 years old, and that has been 60-some years ago. My mother parched the peanuts, put them in a pound bag, and I carried them and sold them to the children at school for 5 cents and made 100 percent profit. Peanuts were selling for 1 cent a pound or $1 a hundred at that time, so we either fed them to the hogs or ate them ourselves. I would buy a black cow sucker and me and all the girls would suck on that during lunch hour, so you see I did get a lot of profit out of my operation.

Now here it is 50 years later, approximately 50 years later. I grow around 100 acres of peanuts and, contrary to what this gentleman said, for the last 3 years out of 4 I have lost money—some of them being drought years, of course. But I will say here today one reason for that—I'll back it up this way—in 1980 the cost of growing an acre of peanuts was $433. Today it's $666. We are getting the same price we were 4 years ago. Now that's a 53 percent increase in our costs, and I keep it all on a computer, mind you, and I pay all these folks to keep up with this stuff.

Now something is wrong when folks get up and say 14 percent of net income is paid for food, and yet we are told here today that it's costing the housewife or the consumer a terrible amount of money to buy our peanuts. I didn't know our Peanut Program was in such a mess, that it caused everything else to lose money. I just didn't know it was that bad off, because when I left Mason Carbow, who is our commissioner of agriculture, he told me 3 out of the last 4 years we had had only 1 year we made a profit in the State of Virginia. Now there is something radically wrong.

The only thing I am going to say about the Peanut Program is, they spoke about the buy-back, and we are in favor of the buy-back in Virginia. Now in saying that, I do think there ought to be some provision or something done to get the folks their money a little quicker than they are getting it. They cannot raise a crop of peanuts and wait 6 or 8 months for their money when it's running as high now as it's running. Our quota has got down to 50 percent, you see, and the rest of the 50 got to go into foreign trade, either sell them through the buy-back or sell them on contract. We can fine tune that without doing too much elaboration on that.

Another thing, too, our Secretary has the authority to raise the peanuts as our costs go up so we can break even, but he has not exercised that. He will wait 3 years, maybe sometime when you change administrations, and they will do a little something, you know, but that keeps you so far behind that it just doesn't work in my area. Most of my folks in my county are drowning. Don't let's throw the rest of them in and drown them with them.

Thank you.

[The prepared statement of Mr. Ferguson appears at the conclusion of the hearing.]

Mr. Rose. Thank you, Wade. It's always good to see you and to have you at our hearings. I especially enjoyed the recent field hearing I held in Virginia where you gave us a good overview of what was happening in Virginia. Your summarized version of it is also good, and your formal statement will be a part of the record.

We will break now until 1:30. It will give everybody 20 minutes to have a balanced meal, and we are going to start at 1:30 with the afternoon session. Thank you very much.

[Whereupon, at 1:10 p.m., the subcommittee recessed, to reconvene at 1:30 p.m., the same day.]

AFTERNOON SESSION

Mr. ROSE. The subcommittee will resume its deliberations.

This afternoon we are honored to have with us Congressman Don Fuqua, a Member of Congress from Florida and a strong supporter of the Peanut Program. It was our privilege to have a hearing in his district last year.

I want you to take your time and tell us whatever you would like us to hear, Chairman Fuqua. We are glad to have you on our team, sir.

STATEMENT OF HON. DON FUQUA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. FUQUA. Thank you, Mr. Chairman. I appreciate the opportunity to appear before your subcommittee today on behalf of the peanut program.

In testimony you have already received, in 1984 about 4.3 billion pounds of peanuts were harvested, mainly in Virginia, North Carolina, Florida, Georgia, Alabama, Texas, and Oklahoma. In Florida, my particular concern, the peanut belt as it is called stretches across 23 of the 67 counties. Although this area only represents less than 5 percent of the national production of peanuts, peanuts are still the No. 1 cash crop in Florida. In several of the counties that I represent, peanuts are the No. 1 economic generator.

We have found that the Peanut Program does work and our farmers are happy with its effects. It has been a stabilizing influence on every State, county, community, and family farm involved in peanut production. The Peanut Program has maintained farm prices at higher levels than would have prevailed without the program. Over the years, the program has provided a continuous supply of reasonably priced peanuts for marketing while maintaining net returns to producers at satisfactory levels.

While there are areas that continue to concern the peanut producers, we are convinced that the program will continue to work well for the benefit of producers, consumers, and for the Government.

The 1977 and 1981 Peanut Programs were designed to reduce Government costs, bring the domestic supply of quota supported peanuts more in line with demand, and recognize the possibility of expanding exports. These programs helped move our producers toward increased market orientation and, at the same time, ease the transition for peanut allotment holders and the communities which had become dependent on the old program. A reliable source of high quality edible peanuts for domestic use and export was maintained.

The current Peanut Program is a two-priced poundage system with which you are all familiar—you helped write the act—and it continues modifications that began in 1977. The acreage allotments for peanuts were suspended in the 1981 act. Hence the peanut production is technically unrestricted but the additional peanuts are subject to marketing controls, and they receive a lower price support. Additional peanuts must be contracted by a certain time or placed under loan for additionals, and the price support for these peanuts is based on the crush value of peanuts for oil and meal prices.

Several issues will be debated in connection with legislation to succeed the 1981 act that expires with this crop year. If no legislation is passed, the Peanut Program will revert to the provisions of permanent legislation. This would entail a return to the allotment system and parity-based price supports. Under current conditions, the immediate result would be a surplus production and high cost to the Government.

With the above facts and information in mind, Mr. Chairman, you can readily see why peanuts and the Peanut Program assume a magnitude of importance in the United States and why this particular program must be maintained for the benefit of us all.

Mr. Chairman, as you indicated earlier, you and Congressman Hatcher paid me the honor of meeting with peanut growers throughout Florida at a meeting in Tallahassee last year. I know the farmers in Florida appreciated your interest in their concerns and your willingness to listen.

Now comes the time for Congress to act. I support the efforts of this subcommittee to create and maintain a viable Peanut Program, and pledge to work with you on behalf of peanut growers throughout the United States.

Thank you very much, Mr. Chairman, for the opportunity to be here today.

[The prepared statement of Mr. Fuqua appears at the conclusion of the hearing.]

Mr. ROSE. Chairman Fuqua, it is an honor to have you, sir. You have probably done more than any other Member of Congress to encourage the exploration of the natural resources of our outer space and promote development of the technological edge that we have in this country. To have you join us in support of the Peanut Program is a real privilege and a real honor for us. We know we are going to have a tough fight every year the Peanut Program comes before the Congress, but we are honored that you are part of our team and our effort. We thank you for taking your time to come here today.

Congressman Hatcher, any questions?

Mr. HATCHER. No questions.

Mr. ROSE. Anyone else?

[No response.]

Mr. ROSE. Thank you very much. We appreciate your testimony, which will be put in the record in its entirety.

Mr. FUQUA. Thank you very much, Mr. Chairman.

Mr. ROSE. Mr. Wilbur Gamble, interim chairman of the Georgia Agricultural Commodity Commission for Peanuts. We are delighted to have you and hear from you, sir.

STATEMENT OF WILBUR T. GAMBLE, INTERIM CHAIRMAN, GEORGIA AGRICULTURAL COMMODITY COMMISSION FOR PEANUTS

Mr. GAMBLE. My name is Wilbur T. Gamble, a farmer and peanut producer from Terrell County, GA. I am testifying today in behalf of the Georgia Agricultural Commodity Commission for Peanuts, which represents some 11,000 Georgia peanut farm families. I currently am interim chairman of the commission.

I would first like to say that we in Georgia are very proud of our two Congressmen that serve on your Subcommittee on Tobacco and Peanuts, Lindsay Thomas and my Congressman, Charlie Hatcher. We appreciate everything that each of them have done, along with the full subcommittee.

I have a full statement I would like to submit for the record, but with your permission I would like to summarize my remarks.

As I am sure the subcommittee is aware, Georgia is the Nation's No. 1 peanut-producing State, accounting for almost half of the U.S. production. The farm value of the crop in our State last year was $521 million, or about one-third of total farm value for all crops, making peanuts by far our most important cash crop.

I have been chairman of the board of county commissioners in my county for 16 years, and I can personally testify that without peanuts as a viable crop we would be in economic ruin. Thus you can readily see, Mr. Chairman and members of the subcommittee, why peanuts are a vital part of the economy of Georgia, reaching far beyond the producer and processor of this commodity.

For this very reason we are deeply disturbed by and unalterably opposed to the peanut proposal put forth as a part of the administration's farm bill currently before the Agriculture Committees of the House and Senate. The proposal would abruptly terminate the current Peanut Program and destroy the system of peanut production as we know it today. The administration's peanut proposal not only would be "revolutionary" as some have described it, but it would in our opinion be disastrous as well.

The Secretary of Agriculture has stated repeatedly that the administration's new farm bill would be phased in over a period of years to ease the adjustment on producers and the agricultural economy. In the case of peanuts nothing could be further from the fact. The peanut title contained in H.R. 1420 and S. 501 would abolish outright the Two-Tier Peanut Program effective after this year's crop. It would be replaced by an extremely low loan program with no restriction on production whatsoever.

For existing quota holders there would be a 5-year phaseout whereby they would receive direct payment based on the difference between established price and a 3-year moving average of U.S. market price, but when you plug in the administration's own figures for the established price and the moving average market price, there would be a direct payment to quota holders only in the first year, 1986, when the established price would be set at last year's quota support level. After 1986, the established price would be a declining percentage of the moving average market price which, by the administration's own projection, would be above the established price. Thus, the direct payment after 1986 would be zero. That, we contend is not a phaseout; it is sudden death.

The direct payment in 1986, again according to the administration's own projections, would be $75 million. That compares to less than $5 million annual cost for the current program. In other words, the cost to the taxpayers of replacing the present Peanut Program with the administration's proposal would be greater than the total cost of the existing program over the next 15 years.

This does not take into account the impact that destruction of the existing program would have on a stable supply of peanut products at reasonable prices consumers have to expect, or on the income of peanut producers which has permitted them to maintain a stable production base over the years. That stability, so greatly needed in other segments of the agricultural economy, would be placed in dire jeopardy under the administration's proposal.

Mr. Chairman, our peanut producers strongly favor continuation of the existing Two-Tier Peanut Program that was first initiated in the Farm Act of 1977. We believe it is a proven approach to balance production with need, while at the same time providing sufficient flexibility to meet market demands, both domestic and exports.

The Peanut Program works. It has produced positive benefits for producers, consumers, and taxpayers. Here are some of the benefits: One, program cost has been drastically, dramatically reduced through production quotas on domestic consumption. Costs have been at the $5 million level or less for each crop year since 1981.

Two, producers are assured a fair price for quota peanuts, which in turn assures a stable production base.

Three, an adequate supply of peanuts to domestic consumers at reasonable price has continued in an orderly fashion except for the 1980 crop disaster.

Four, strict quality controls which are built into the peanut program have been maintained, thus assuring both domestic and export consumers the highest quality peanuts available in the world.

Five, the two-tier system provides a vehicle for assuring a continuous supply of peanuts for export, although it involves somewhat greater financial risk for growers and handlers. Although the United States is a distant third in world peanut production, we are the largest exporters for food purposes.

Six, objections to high quota leases have been satisfied to a large degree by severe restrictions placed on quota leasing.

Seven, unlimited production for any farmer is now permitted because of suspension of acreage allotments, and nonquota holders are now producing peanuts in increasing numbers and quality.

While favoring the continuation of the existing Peanut Program in general, the Georgia Peanut Commission recommends and requests that the Congress modify some specific provisions of the current law. The recommended changes are discussed in detail in the formal statement presented by the National Peanut Growers Group, of which the Georgia Peanut Commission is a member. We endorse the Growers Group recommendations.

Mr. Chairman, in summary we want to emphasize again that the current program works. We can find absolutely no justification, especially at a time of severe economic stress in American agriculture, for throwing out a sound, workable, minimum-cost program for a $75 million hoax upon consumers, producers, taxpayers alike.

Thank you for the opportunity of testifying before you today.

[The prepared statement of Mr. Gamble appears at the conclusion of the hearing.]

Mr. Rose. We are delighted to have you, and thank you for this very excellent statement.

I will call on Congressman Hatcher for any comments he might like to make.

Mr. HATCHER. First, Wilbur, I would like to compliment you on your statement. I think it certainly is representative of the feeling of the peanut growers in the district that I am privileged to represent, and in which you live.

I believe you heard Mr. Goldberg this morning expressing concern about farmers who didn't have the ability to grow quota peanuts. Are you aware of any groundswell of farm opinion in southwest Georgia or anywhere else where farmers are complaining about the supply management system for the peanuts?

Mr. GAMBLE. I haven't heard that complaint. The farmers I have talked to throughout my district in the State of Georgia are very happy with this program. We would like to see other programs modified and join this program. I think he is wrong in that completely.

Mr. HATCHER. Thank you.

Mr. ROSE. Thank you very much, sir.

Mr. GAMBLE. Thank you.

Mr. ROSE. At this time I would like to call witnesses we didn't get to this morning: Mr. Richard T. O'Connell, president of the National Confectioners Association and the president of the Chocolate Manufacturers Association, accompanied by Mr. Martin Palmer of the Palmer Candy Co., and Mr. Robert Allen of E.J. Brach & Son. Gentlemen, we are glad to have you.

Mr. O'CONNELL. Thank you very much, Mr. Chairman. Mr. Allen had to cancel out at the last minute and was unable to join us.

Mr. ROSE. All right.

Mr. O'CONNELL. I appreciate your taking us, having been unable to be here this morning, since I was testifying in the Senate.

Mr. ROSE. Please proceed.

STATEMENT OF RICHARD T. O'CONNELL, PRESIDENT, NATIONAL CONFECTIONERS ASSOCIATION OF THE UNITED STATES AND CHOCOLATE MANUFACTURERS ASSOCIATION OF THE U.S.A.

Mr. O'CONNELL. Mr. Chairman, members of the subcommittee, my name is Richard T. O'Connell. I am president of the National Confectioners Association of the United States and the Chocolate Manufacturers Association of the U.S.A. The organizations represent some 118 chocolate and confectionery manufacturers in the United States. I am accompanied today by Mr. Martin Palmer, president of Palmer Candy Co., Sioux City, IA, who will make a brief statement.

Prior to Mr. Palmer's statement, I wish to make several comments on the confectionery industry and its relationship to the Peanut Program and its impact on their business. The U.S. confectionery industry is a $6.3 billion industry in the United States—at wholesale value—and employs approximately 64,000 persons. Our industry manufactures over 4 billion pounds of confections each year, and as an industrial user of peanuts ranks third in the United States after peanut butter and salted nuts. Over half of all confections contain peanuts or processed peanut products, and in

1984 we used 20 percent of all the peanuts processed in the United States. This amounted to slightly over 400 million pounds.

Major objectives of this industry are to maintain and expand the domestic market and increase exportation of finished products. If we can achieve these objectives, we will expand the use of domestically produced agricultural commodities, including peanuts, but to do so will require reasonable and competitively priced ingredients. The inequities inherent in the current Peanut Program are making it increasingly difficult for U.S. confectionery companies to compete, both domestically and abroad.

The average 1984 market price for additional peanuts was $340 a ton. The market price for quota peanuts was $550 a ton. The price differential of $210 a ton between domestic peanuts and those grown for export purposes means that domestic users are subsidizing the export market. In a recent issue of the Southeastern Peanut Farmer, there were reports some farmers were willing to contract for additionals at $300 to $325 a ton. This likely represents a fair price for the production of peanuts.

In addition, it means that foreign confectionery companies may purchase the same quality U.S.-grown peanuts at a 40-percent savings. These same companies can then manufacture confections with lower ingredient costs and sell them in the United States at a lower price than U.S. manufacturers, or compete with us better in their own market using lower-priced U.S. peanuts.

The higher price domestic users must pay for peanuts not only affects our ability to compete, but means that our products are going to cost consumers more. It has been estimated in an analysis prepared by MJB Consultants, Inc., that the current Peanut Program costs consumers $260 million annually. By moving to a market-oriented program, peanut prices and the price of finished goods would decrease and peanut consumption could increase by $200 million pounds or 10 percent.

We are not advocating a demise of the Peanut Support Program. Confectionery manufacturers need an adequate supply of good-quality peanuts. We are asking, however, that the Peanut Program be moved toward a market-oriented program, recognizing that the confectionery industry also operates in the world marketplace.

Restrictive programs that protect one segment of the agriculture community often have a negative impact on others. In 1983 the confectionery industry exported 165 million dollars' worth of confections. This was an $11 million decrease in exported confections from 1982. During that same period, confectionery imports increased by $34 million. This represents a continuing trend whereby finished confectionery imports have increased more than 50 percent during the last 2 years. The primary reason confectionery imports have risen is the price disparity between ingredient costs in the United States and world prices and subsidization of ingredients by other countries.

The confectionery industry supports the concept of the administration's peanut proposal, to move toward a market-oriented program, except the quota and two-tier price system should be terminated immediately. We believe that any Peanut Program should take into account the following factors:

One, it should eliminate poundage quotas. This protects all peanut growers quota holders. Seventy percent of quotas are leased, as reported by the USDA, which adds significantly and unnecessarily to costs of production. In addition, it artificially inflates the cost of peanuts for domestic usage and the value of the land on which they are grown.

Two, the two-tier pricing system should be eliminated. The current two-tier price approach means that users of domestic peanuts are subsidizing additional peanuts, those used for export, and therefore are subsidizing the ingredients their foreign competitors use. Elimination of the two-tier price system would mean savings to domestic users that would ultimately be passed on to consumers.

Three, any commodity program should promote exports, not only peanuts, but also products which contain peanuts. In addition, the Peanut Program should not be so designed to maintain higher domestic prices which encourage the importation of products containing peanuts.

Four, any program should maintain the quality of U.S.-produced peanuts.

We recommend and urge the committee to move forward toward a market-oriented program.

At this time, Mr. Chairman, I would like to ask Mr. Palmer to address the subcommittee on the impact of the Peanut Program on his company.

Mr. ROSE. Go ahead, Mr. Palmer.

STATEMENT OF MARTIN PALMER, PRESIDENT, PALMER CANDY CO.

Mr. PALMER. Thank you. Members of the Subcommittee on Tobacco and Peanuts, my name is Marty Palmer. I am president of the Palmer Candy Co., a medium-sized, 100-year-old, family-owned and operated firm located in Sioux City, IA. I am very glad to be here today to be able to talk to you about what I consider a very serious situation, both for our country and also mostly my company.

Peanuts make up a full one-third of the total poundage of raw materials we use in making our products. As one can easily see, the price of this one single ingredient dramatically affects the size and the cost of our confections to our customers. By artificially supporting the price of peanuts with your quota and two-tier pricing system, Congress is making it impossible for the peanut-using industry in general, and Palmer Candy in this case, to offer the American public the good value it deserves and receives with almost any agricultural product currently grown in the United States.

My company is located in Iowa, in the middle of one of the great agricultural areas of this country. Gentlemen, we know about the necessity of a reasonable agricultural program. However, the lucrative program that is currently being offered to the U.S. peanut farmer is far too expensive, in my opinion, to the American public at large. As you already know, the returns to the peanut farmer already exceed those of alternative crops by 4 to 10 times on a national basis. We are located in an area hard-hit by the recent agricultural downturn, and we have a great deal of compassion for the U.S. farmer in general. However, we have no interest in continuing to support the price of this agricultural commodity—peanuts—at a price that is by some reports, as we heard this morning, 80 percent above the cost of production.

I have mentioned before we are only a medium-sized company, employing about 80 people and using about 2 million pounds of peanuts a year, but my firm exists in a very competitive marketplace—the snack foods industry—and the current Peanut Price Support Program puts us at an incredible disadvantage to many of the foods that we compete against. Think of the raw ingredients of almost any other snack food, such as potato chips, corn chips, any baked items, and I think you will have to agree with me that in almost no other circumstance are my competitors forced to pay for such highly supported, nonmarket-type prices for their raw ingredients such as corn, potatoes, flour, wheat, sugar—well, in that case sugar isn't doing too well—and corn syrup and oils.

By selectively supporting peanuts on a much higher cost value than other competitive food items, Congress has forced those foods that do contain peanuts, like ours, to reduce their portion size and usually thereby reduce the demand for their products. This accomplishes only really two things: The total demand and usage of peanuts in this country is reduced. This hurts the peanut farmer as much as it does Palmer Candy and other industries using peanuts. It hurts the American public because they are the ones that ultimately have to pay for that inflated peanut price to the farmer.

Judging from our costing figures, which are fairly representative of our industry in general, if the peanut price was allowed to exist at a level of around 10 to 15 percent greater than the actual cost of production—and believe me, being from Iowa, most of the farmers that I talk to in the corn business would just be thrilled to have 10 to 15 percent over their cost of production—rather than the 50 to 80 percent excess now allowed, we would be able to offer the American public a product size 20 to 30 percent greater than we can now. This would naturally increase the demand for our products by quite a measure, which would ultimately help the peanut farmer most, the American manufacturers using peanuts and, more importantly, the consuming public as well. I would like to strongly urge this committee to consider using a more market-based approach to determine peanut pricing, rather than the archaic quota and two-tier pricing system used now.

Another detrimental byproduct of this current two-tier pricing system is the fact that through the export market, the whole rest of the world is able to buy U.S. grown peanuts at far less than any domestic manufacturer can. It is such a price discrepancy that it is literally possible for a European candy manufacturer to import peanuts from the United States, manufacture competitive candy products using those peanuts, and then export those products to the United States to compete with the U.S. plants, and still have a lower peanut cost in their items. The Palmer Candy Co. has a hard enough time competing with the flood of imported products brought on by the highly supported sugar prices and the strong dollar, without also supplying them with the very peanuts, at better prices, that they are going to use to sell against us.

In conclusion, the current quota and two-tier pricing system definitely hurts Palmer Candy and other American companies like ours by forcing us to compete with unrealistically high raw material costs. It hurts the American public by forcing them to pay for the highly supported costs passed to them in their products. Finally, this pricing system aids the peanut farming community unfairly when it is looked at against the other systems that are used to support the major crops currently grown in this country.

Thank you very much for the time that you have accorded me to express my views and those of our industry.

Mr. ROSE. Thank you, Mr. Palmer.

You say on the first page of your statement that peanuts make up a full one-third of the total poundage of raw materials. What makes up the other two-thirds? Is it mainly chocolate?

Mr. PALMER. Chocolate would amount to a great deal of it, as well as corn syrup, sugar, and then depending on the other items, maybe a little flour.

Mr. ROSE. What has happened to the price of chocolate over the past 5 years?

Mr. O'CONNELL. Chocolate prices have risen about 15 percent. Bar sizes, if we're talking about bars, the main item, bar sizes have increased about 16 percent in weight.

Mr. ROSE. I didn't understand what——

Mr. O'CONNELL. Let me repeat it, then. The price of chocolate bars—confectionery bars, candy bars—has risen about 15 percent in the last 5 years. The sizes have been increased about 16 percent.

Mr. ROSE. What has happened to the price?

Mr. O'CONNELL. Let me explain. We do several things to either pass along costs or adjust costs. One of the things, we either maintain a stable price or we increase the size of our product, or the third thing we do to move a passthrough is to provide premiums or discounts or things of that nature.

One of the things in a chocolate bar or a candy bar is that we, although we don't set the retail price, the retailers generally sell it at a nickel-ending level, so the adjustments are made then in different ways.

Mr. ROSE. You said that by selectively supporting peanuts at a much higher cost value than other competitive food items, Congress has forced those foods that do contain peanuts to reduce their proportion size. My question is this: Doesn't chocolate cost more than peanuts?

Mr. PALMER. Yes; it does, but in the snack industry that we are competing against, it's not just chocolate and sugar items that we're competing against. The candy industry has been relatively stable over recent years, and one of the reasons is, our raw material costs have been somewhat stable or increasing some.

I am basically talking about potato chips, corn chips, the other snack industry that has been growing by leaps and bounds. We would like to take a portion of that, and we also think—we are a company that uses a particularly large volume of peanuts for the dollar sales that we have—and we honestly think that if we could get a reduction in peanut prices, we would be able to increase our portion size by about 30 percent, and we think we can go take some of the business away from those potato chip people, thereby using more peanuts and increasing the demand for your peanut farmers.

Mr. **Rose**. Mr. Hatcher.

Mr. **Hatcher**. Mr. Palmer, you stated two or three times that one of the beneficiaries of abolishing the two-tier system or the supply management system for peanuts, one of the beneficiaries would be peanut farmers. We have heard almost universally from peanut farmers that they disagree very strongly with that statement. Do you think they just don't understand the growing of peanuts, or——

Mr. **Palmer**. Well, not meaning to be out of place at all, but if I was a peanut farmer that was currently entitled to a poundage quota, I think I would feel the same way. However, if I was a farmer that also had the ability to raise peanuts, then I would rather see a program that would encourage demand, whether it was for import peanuts or export peanuts or whatever. I think that that would help me in the long run.

Mr. **Hatcher**. Are you aware of any groundswell among farmers in this country anywhere to support your position?

Mr. **Palmer**. No; I am not. I would doubt whether very many of them would know about it, though.

Mr. **Rose**. Congressman Combest.

Mr. **Combest**. Thank you, Mr. Chairman.

Mr. O'Connell or Mr. Palmer, either one, do you think it would be possible to get some statistics for the committee about what has happened to the price of all of the other things which go into the manufacture—sugar, chocolate, transportation, packaging—and submit to us at some point?

Mr. **O'Connell**. I'm not sure I understand the question.

Mr. **Combest**. The prices of all of the items which would go into it, in addition to peanuts—compared over the past 10 years, let's say, of what has happened to those other prices as well.

Mr. **O'Connell**. You mean packaging and transportation——

Mr. **Combest**. Everything. Yes, sir.

Mr. **O'Connell**. We could probably get that for you, but I think we could be assured that packaging and transportation and other things have increased in our costs.

Mr. **Combest**. Right, I'm sure that they have as well. I-just wonder if we could see what those might be?

Mr. **O'Connell**. Yes. One of our major points, Congressman, in this testimony is that we are not trying to get rid of the peanut price support program. We are trying to get rid of two things. We think that the quotas, which, according to the USDA, 70 percent of those are leased, which means that the farmer has to lease the quota. If this USDA information is correct, then we believe they are paying and we are paying an unnecessary price for that quota of roughly $200 a ton.

Second, we see an opportunity in the Far East particularly, in Japan, Taiwan, and South Korea. The U.S. Trade Representative's office has been doing a good job, getting those countries to lower their duty and tariffs. They are only consuming about 2½ pounds of our product. We see a great opportunity for export, buy the Japanese confectionery manufacturer can but U.S. peanuts at $140 a ton cheaper than we can.

Now what is happening—and I have a letter in my desk, is one of those Japanese trading companies has listed the confectionery industry in the United States as one of their target industries. You are familiar, I am sure, with other industries they have targeted. So we can expect them, buying world sugar prices, buying milk prices from New Zealand at 40 percent of what we pay, and then buying peanuts at $140 a ton, they are going to be competitive. That is what we are facing.

Mr. COMBEST. I realize, as you had indicated in your testimony, it was not the fact of doing away with a Peanut Program. I just think it would be interesting to see what other production costs have done as well, and certainly appreciate that.

Mr. ROSE. You think the Japanese would come after American candy customers using American peanuts and——

Mr. O'CONNELL. Why not? I don't see why not.

Mr. PALMER. It's cost effective.

Mr. O'CONNELL. I mean, the only restriction on them now of shipping out and coming back is from Canada and Mexico.

Mr. ROSE. Where do the Japanese get their peanuts from now?

Mr. O'CONNELL. They get some from China, of course, which is probably their main source, but there is certainly nothing preventing them from getting them from the United States.

Mr. ROSE. I understand that, but you made a statement that one of the reasons for doing away with the two-tier system is your worries over the Japanese.

Mr. O'CONNELL. I picked Japanese as just one country. I could have picked Colombia, which is also a sugar producer, for example, on hard candy exports.

Mr. ROSE. Yes, but does Colombia have the same kind of industry that Japan does?

Mr. O'CONNELL. Do we?

Mr. ROSE. Does Japan have the same kind of candy manufacturing industry that the Japanese have?

Mr. O'CONNELL. They're getting there very fast. So is Brazil.

Mr. ROSE. They don't have it now, though.

Mr. O'CONNELL. One of the things about our business, we are an international business. The same companies, not more than a half a dozen, manufacture most of the equipment we use. Most are European, and it doesn't take long to set up a plant. They send their engineers along with the equipment, and you can be operational in a very short time.

Mr. ROSE. Mr. Bateman in his statement was talking about reducing the per pound price of peanuts from about 28 cents down to about 19 cents—I believe they were his numbers—a pound. If that kind of a reduction was handed to the candy manufacturers, what would that do to the price of a bar of candy.

Mr. O'CONNELL. Mr. Palmer is the manufacturer. I'll let him answer that.

Mr. PALMER. We have taken a look at that, and that's exactly where my figures came from. The candy manufacturing business is extremely competitive, meaning if anybody sees an advantage—for example, if I could buy peanuts at 7 cents a pound less—there is no way that I could hang onto it. It would have to be passed on to the customer, either in lower prices or in probably a product size that is about 20 to 30 percent greater, so the American consumer would be—the one who is now paying for that 7 cents a pound overage—he would be the one that would be receiving the benefits of the extra portion size. We think that it would make us more competitive in the snack foods arena, and we would ultimately end up using more peanuts.

Mr. ROSE. Do you disagree with this statement: "A typical nationally advertised candy bar of the 2-ounce size has a retail price of about 35 cents." Is that close to being accurate?

Mr. PALMER. Sure.

Mr. O'CONNELL. Yes.

Mr. ROSE. Good. "That candy bar contains only one-third of an ounce of peanuts." Is that fairly accurate or should it be a little more?

Mr. O'CONNELL. I would think it would have to be more, Congressman. It depends on the size of the bar. If it's a 2-ounce bar, certainly about 50 percent of it would be sugar. In other words, of 2 ounces about half of it would be sugar, and you divide up the rest of the ingredients. If it's a milk chocolate bar, it would be about 12 percent milk to maybe 20 percent milk.

Mr. ROSE. So we are talking about somewhere around a cent of peanuts in a candy bar—1 to 2 cents, if I can be real liberal here.

Mr. PALMER. If those figures are accurate, which I really don't have any way of knowing. I only know about Palmer candy, and in our particular product, since that 2-ounce bar——

Mr. ROSE. Well, you said a third.

Mr. PALMER. About a third of it is going to be that way, we would be using close to two-thirds of an ounce of peanuts. In a lot of our products—we sell a lot of packaged, just peanut bags—obviously it's 100 percent of our product. That's where, when I ran through our costs, I took our actual costs and I just reduced the cost of the peanuts to the company as if we could buy them under this reduced value. Then I looked at what, sort of for the same price selling to the wholesaler, what I could offer in increased product size, and I came up with about a 20- to 30-percent size increase, depending on which item.

Mr. O'CONNELL. I suppose, Congressman, there would be as many different products as you could name, because they would all vary a little bit—probably not a hard and fast rule on a precise ounce, percentage of an ounce.

Mr. ROSE. But if a pound of peanuts today, 16 ounces, is selling for about 28 cents a pound, let's be liberal and say that each ounce costs 2 cents. Now in a 35-cent retail price 2-ounce size candy bar, there might be 2 cents worth of peanuts.

Mr. O'CONNELL. Fine. There might be.

Mr. ROSE. But it could be 1 cent, couldn't it, and you all come here and tell us you are paying too much for peanuts with a straight face. Is that what I'm hearing?

Mr. O'CONNELL. No, we are saying that we would pay a fair market price for peanuts but we think that the present Peanut Program is unnecessarily escalating the prices that we have to pay, because of the quotas and because of the two-tier price system. If you want to select a single price support—and we might debate on whether it is good or bad—but I think we could probably come to some kind of an agreement that is a reasonable price support level for the peanut farmer, but we feel that both the quota and the two-tier price system are unnecessary in a satisfactory Peanut Program.

Mr. **Rose**. Mr. Thomas.

Mr. **Thomas**. Mr. Chairman, either I am not following your figures or Mr. O'Connell's statement, but I am like you. If I see 2 cents worth of peanuts in a 35-cent candy bar and we were to cut the price in half, that says to me you could cut the price of your candy bar one penny. Is that right?

Mr. **Palmer**. Well, the 35 cents that you're quoting is the retail value.

Mr. **Thomas**. Yes; well, I understand that from your statement a minute ago. You know you have a way of passing along your costs. We know that full well. That's agriculture's real problem right there, but what would that mean if we did this?

Mr. **O'Connell**. I think we ought to start with, we represent manufacturers who sell wholesale. About 40-some percent of our product goes through the wholesaler to the retailer, and about 60 percent goes directly to the retailer, so what we price, we don't price the end product. I would guess, and I don't know, for the sake of discussion we could probably talk about a wholesale price of around 24 or 25 cents.

Mr. **Thomas**. Is this the retail price, 35 cents, of the candy bar?

Mr. **Palmer**. Yes.

Mr. **Thomas**. Still, to me, I only see a 34-cent candy bar. I don't know of any candy bars that sell for 33 or 27 or 22 cents. It's 25, 30, 35, 40, and so forth.

Mr. **O'Connell**. That's right.

Mr. **Thomas**. At any rate, I think we're straining at gnats and swallowing the camels, but at any rate let me just make one or two other comments here and I will conclude my questions.

I would be interested to know if we did this, if this occurred in the peanuts, and your raw material product of peanuts alone in a candy bar went down, what other items of cost in that candy bar could you see reducing? What other items can you control at this point? If you could get some help on peanuts, could you come down on the cost of anything else? What about your labor, your packaging, your advertising? Are you willing to cut prices there?

Mr. **O'Connell**. The only thing I can speak to that—and I will let Mr. Palmer, too—is the fact that in chocolate, for example, where you use a lot of peanuts, about 55 percent of our total costs are ingredient costs. Now the other 45 percent are other things. We mentioned packaging and transportation and labor costs and interest and those things.

Within that framework of the 55 percent of the ingredients costs, about half of our total product is sugar, and we use a lot of milk, so we have a combination of ingredients, including peanuts, which are involved in our product. So we are hoping, of course, out of this farm bill that we can have a combination of all——

Mr. **Thomas**. Reduce the price of all of those things, you would love to. I'm sure you would.

Mr. **O'Connell**. Sure.

Mr. THOMAS. The question is, where would the supply be if you did that, and this has been talked about here all morning at great length.

Mr. Palmer, let me ask you specifically, your company is making money now? Are you profitable?

Mr. PALMER. Yes, we are. We make about 1 percent profit.

Mr. THOMAS. About 1 percent. Is that historically what——

Mr. PALMER. I would like to do as well as the peanut farmers right now.

Mr. THOMAS. All right. Over the past 10 years, is that 1 percent about where——

Mr. PALMER. Unfortunately, that's correct.

Mr. THOMAS. Good; have you reduced the price of any of your candy bars during any of that 10-year period of time for any reason? Have you ever?

Mr. PALMER. We adjust our portion sizes rather than reduce the prices because, as you noticed, it's a nickel jump——

Mr. THOMAS. Keep the price the same but just lower the amount that's going into it?

Mr. PALMER. Right, either larger or smaller. Right now I'm not absolutely certain, because I'm not sure what the ratio is, but if you adjust for inflation and stuff I think that we're a much better value than we probably were 10 years ago.

Mr. THOMAS. Let me close off of this. I really admire to see a young person like you running a very successful business, and I hate to see when we have the producer of raw materials, of agricultural products in this country, I hate to see there be some difference in the people who are finally processing them, the processors and users.

However, I think one of the things that we're losing sight of, going back to the agriculture bill at large, one of the problems in agriculture in this country today is perception. You see in peanuts—and this goes to your comment about the peanut program and how it works—it's a crop that didn't just pop up overnight, and the people that grow them today didn't just start growing them yesterday. It's a crop enterprise that has a history behind it where we have done significant research in developing of all types of peanuts and varieties, all types of equipment to handle it, a tremendous investment into the structure that produces that final product that you utilize. No other country in the world has that capability or that investment as we have had.

To you, the person who manufactures and uses a raw material, and to the person who uses it and makes corn flakes or dog food or whatever it is, that reliable, substantial supply that you can always count on in a high quality is something that gives you an edge as a final processor that nobody else in this country has. This is what you need to think about when we talk about scrapping programs that have resulted in the great success of the commercial growing of peanuts in this country today.

Mr. ROSE. Thank you, very much.

Mr. Stenholm.

Mr. STENHOLM. Mr. Palmer, what's your return on equity in your business with a 1-percent return on gross?

Mr. PALMER. I'm not sure that, first of all, being a privately held corporation, we are not accustomed to giving out any financial information, and I couldn't tell you right now exactly what it is.

Mr. STENHOLM. OK. Strike that question.

When you indicate that peanut farmers are making too much money on their peanuts, what is the basis for your making that statement?

Mr. PALMER. I must have been unclear in my comments. What I meant to say was, the owners of the peanut quotas in my opinion are, since 70 percent of the peanuts are grown right now on leased property or 70 percent of the people now growing peanuts are doing it with leased quotas and stuff like that, to me that looks like an inefficiency built into the system that benefits only those that 20 years ago owned land that was deemed peanut-growing land. Therefore, when I say that the peanut farmers are earning way too much money or something, that is not really what I intend.

I think that the peanut farmers are entitled to a decent return on their equity and their investment and for their knowledge, but I think that 80 percent is perhaps a shade more than the American public—which is the one paying for that——

Mr. STENHOLM. Eighty percent?

Mr. PALMER. Eighty percent over the cost of their production.

Mr. STENHOLM. Where do you come at that figure?

Mr. PALMER. That is from the report done by MJB Consultants which, you know, was testimony earlier today. I think that a lot of his conclusions were drawn from the USDA agricultural reports.

Mr. STENHOLM. All right, so you are getting that strictly from that one report, based on no other knowledge, no personal knowledge that you have concerning agriculture, farmers. It's based on a report that was done for an individual group to present testimony at this hearing.

Mr. PALMER. It would be based on that, plus the knowledge that I have, being a farmer in Iowa. Our family does operate farm systems and such. We grow corn, wheat, soybeans, and none of our agricultural community enjoys anything like the program that the peanuts have. It looks kind of interesting to us but we just think that it's just too lucrative.

Mr. STENHOLM. Again, it is very important to me to know if you are testifying based on known facts or whether you are basing it upon hearsay, personal experience, et cetera. I mean, that's what I'm getting at. If you are testifying as to the result of the peanut program——

Mr. PALMER. Right.

Mr. STENHOLM. Is that based on a personal knowledge that you have with what it costs to raise peanuts by individual farmers in the United States, or is it based upon a study that was made by an individual group? Either Mr. O'Connell or Mr. Palmer.

Mr. PALMER. It is based primarily on that information which has been brought to me, which is that study.

Mr. STENHOLM. That particular study?

Mr. PALMER. Right.

Mr. STENHOLM. I tried to follow you in the regard to the cost of candy, but from 1977 until 1984 has the price of your product at your level gone up?

Mr. PALMER. Yes, it has.

Mr. STENHOLM. How much?

Mr. PALMER. I'm not sure I could even tell you accurately.

Mr. STENHOLM. Mr. O'Connell, do you have any figures on wholesale costs, what they have gone up from 1977?

Mr. O'CONNELL. I don't have 1977 as a base year. I just gave the best knowledge that I had, really, over the last 5 years which is a fairly critical period because the inflation has come down quite a bit. Inflation was significantly high, as you know, in the latter part of the seventies, so I can't give you figures before 1980—1981, I'm sorry.

Mr. STENHOLM. I think I've got a little different opinion as to the base period that we need to cover. I think it's not serving a useful purpose for this committee to utilize a period of time in which inflation has subsided and not take a look at what happened to the price of peanuts during a period in which we saw inflation in double-digit levels and the price of peanuts to the farmer staying status. I assume during that period of time you in business had the opportunity to increase your price of commodity, or you would not be in business, but I think it's not particularly appropriate—or "fair" is the word—to utilize 1982 until 1985 and not look at 1977 until 1985.

Mr. O'CONNELL. I have no way to respond to that, Congressman, because I can't give you any figures, but let me say this: We are not saying that the peanut farmer should not get a fair return. I don't think anything in our statement would indicate that. What we are objecting to is the quotas and the fact that 70 percent are leased, and we are objecting to the two-tier price system because we see an opportunity for exportation that we have probably never had before. They have been knocking down the tremendously high duties and tariffs in many of these foreign countries. Ours is only 7 percent on imported confectionery. We are asking the rest of the world that we compete with to come to our level and we will compete with them, and we are trying to have these things like this two-tier price system adjusted so that we can compete and export. That is our main objective. We are not objecting to the farmer getting a reasonable return. We are not objecting to the farmer getting a fair price support program. We are objecting specifically to those two parts of the program—the quota which they have to lease and the two-tier price system.

Mr. STENHOLM. Therefore, in other words, if the price of peanuts were where it is today you would not be complaining. You are strictly complaining because of your perception or your belief that the quota system is inflating the price of peanuts to you.

Mr. O'CONNELL. That's correct.

Mr. STENHOLM. I would come back for another round in a minute, Mr. Chairman.

Mr. ROSE. Mr. Tallon, do you have any questions?

Mr. TALLON. Not right now, Mr. Chairman. Thank you.

Mr. ROSE. All right. Without objection from the subcommittee, I would like to recognize Congressman Sisisky, a friend of our program and a Congressman who is very involved in peanuts, for a question.

Mr. SISISKY. Mr. Palmer, you may have answered but I want to get clear on something. You said if the price of peanuts came down that you would probably—and I don't know if you used the word "probably" or not—would increase the size of the bar 30 percent?

Mr. PALMER. Not the candy bars.

Mr. SISISKY. I beg your pardon?

Mr. PALMER. We looked at our products, which are anything from candy bars in some cases to small bags of peanuts that you would find in vending machines and things like that. We took a look at and decided that probably between 20 and 30 percent, the average of all of our company products might increase that much.

Mr. SISISKY. But your peanut bar is the largest part of your business, is it not?

Mr. PALMER. As a matter of fact, it's about even-up.

Mr. SISISKY. It's what?

Mr. PALMER. It's half and half, the roasted peanuts that we sell and the candy bars and such that we sell.

Mr. SISISKY. I thought you were talking about peanut bars, so it may not equivalent, but you talked about one-third of your ingredients as peanuts when you were talking about peanut bars. Am I correct in that? What portion of the expense of that peanut bar is peanuts? Is it not about 7 percent?

Mr. PALMER. As far as actual dollars into the cost of the bar, although the total poundage is about one-third, you are right that it would be reduced and it's maybe on the order of 10 percent or something. I'm not sure.

Mr. SISISKY. When we talk about—and I was just trying to correct your statement—when we talk about increasing the size, we are really talking about marketing expense, everything imaginable that can go in that peanut bar. If you're talking about 7 percent ingredients, and if just peanuts were reduced in price, that you could increase the size 30 percent, that's an astounding figure. It absolutely is astounding to me.

Mr. PALMER. If you were just considering the peanut bar itself, yes, it would be, but looking at the rest of our products that I put into that accumulation when I came up with 20 to 30 percent, then it's not so much. Obviously for our small bags of peanuts it's 100 percent of what goes into the bag. I'm sorry I wasn't clear on that.

Mr. SISISKY. I had misunderstood you. I thought you were talking about peanut bars at the same time.

Thank you, Mr. Chairman.

Mr. ROSE. Anything further for these witnesses? Mr. Stenholm, did you have any other questions for these folks?

Mr. STENHOLM. When you talk about the quota, I can't quarrel a great deal with the argument of the quota per se but I can quarrel very strongly with what happens to farm income were we to do as you have suggested. That is the bottom line, and it just strikes me—and I guess I am more curious than I am—and I don't want to appear heavy-handed toward you. I think the small businessman, the big businessman, everyone has to have a profit. I am looking here at Business Week magazine that shows that the average return on equity of the food industry in 1984 was 16.3 percent return on equity, and I am looking at average for the last 4 years in agriculture of minus 4.7 percent.

I have a great deal of difficulty understanding people who use what I raise, continuing to come in front of our various committees and suggesting that the solution to your problems is for me to get less for what I am raising. I know you have said that's really not what you mean but that is really and truly what is going to happen, is I am going to take less for what I am raising in order to do something for somebody. Your own testimony here suggests, and you have just expressed it to me, really you are just upset about the quota. The price, really, it might be $1,000 a ton on the free market system, but because we've got a quota, "I don't like it."

Again I come back to this excellent publication, of which I've got real questions on the numbers on it, and maybe I shouldn't even be using it for an example, but when you show that what we ought to do for peanuts is what we're doing for cotton or corn or wheat, you know, right now Iowa and Nebraska have got the most serious economic problems that that area has faced since 1930, and yet really what you're saying is, "Let's do away with the program for peanuts," because it has got something you don't like. I admit I've got a few problems with it myself, with one exception—it's working, from the standpoint of providing a stable peanut industry, and you cannot—for peanut butter is the figures I've got. Peanut butter since 1977 has increased by 68 percent at the wholesale level. The farmer's price of peanuts with the quota system has gone up 28 percent since 1977. Any comment?

Mr. O'CONNELL. I'm not in the peanut butter business and I can't make any comparison.

Mr. STENHOLM. Do you think you are different from those figures?

Mr. O'CONNELL. I don't know.

Mr. STENHOLM. You don't know?

Mr. O'CONNELL. You picked the year 1977. I just can't respond. I do want to comment on one thing, though, Congressman Stenholm. You said, if I heard you correctly, that we wanted to do away with the program. I don't believe we ever said that. What we wanted to adjust—and we don't like the quotas, I agree, and we don't like the two-tier price system—but if the Price Support Program is going to be *x* level then we think it ought to go to the farmer, the farmer who is growing the peanuts, the farmer who is selling the peanuts, and we hope encourage him. We need a good supply of peanuts. We like the quality of U.S. peanuts, but we want to feel that the program should be directed to the farmer so they don't have a minus 4 percent. I don't know what the figures are for the equity returns to a peanut farmer. That's all of agriculture. However, we are not wanting to get rid of the program. We didn't say that. We want to get rid of two things in the program.

Mr. STENHOLM. I'm glad you clarified that. That does make a big difference, and if I misspoke what I thought I heard you saying or what you were testifying to—but one final question, Mr. Chairman.

You say the two-price system. Do you believe that it is truly possible for American industry of almost any kind to compete in the world market as it is today, without a two-price system?

Mr. O'CONNELL. Yes, I do. You mean our business?

Mr. STENHOLM. Yes.

Mr. O'Connell. That's the only thing I can talk about, is our business. We know, for example, Japan, 134 million people, they only consume about 5 pounds of confectionery. We consume over 18 pounds. The American brand products have a good reputation in Japan but they are much more expensive—partly because of their duty. I don't want to mislead you on that. But, all things being equal, if we could open up that market, particularly when half of our products contain peanuts, we see an opportunity there. That's all we are saying and that's all our support is for the program, is to eliminate the two-tier price system and the quota, and we think we can do it.

Mr. Stenholm. You said the magic words, "all things being equal."

Mr. O'Connell. Right.

Mr. Stenholm. That's the problem we have. If we can make all things equal, you'll do better and the peanut producer would do better, but all things are not equal and that is keeping you out of that market to the detriment of the entire peanut industry.

Mr. Rose. Thank you, sir.

You have heard of the "Stocks and Processing Report"? Do you have it there?

Mr. O'Connell. I have "Peanut Report," "Federal-State Market News." Let me see. I don't know whether I have it here or not.

Mr. Rose. I understand that it shows last month that peanut butter consumption is up 5 percent for the past 6 months, peanut candy up 13 percent over the last year, roasted peanuts up 5 percent.

Mr. O'Connell. I don't have the report.

Mr. Rose. You are not familiar with those figures?

Mr. O'Connell. No, I am not.

Mr. Rose. Gentlemen, we want to thank you for being here. We appreciate your testimony. We are glad to hear from you.

Mr. O'Connell. Thank you.

Mr. Palmer. Thank you.

Mr. Rose. The next witness is Mr. Larry Pryor, representing the Peanut Butter and Nut Processors Association, from Charlotte, NC.

I want to thank everybody for their good questions and attendance.

Mr. Larry Pryor, we have your testimony and you may proceed, sir.

STATEMENT OF LARRY J. PRYOR, DIRECTOR, PURCHASING, LANCE, INC., REPRESENTING THE PEANUT BUTTER AND NUT PROCESSORS ASSOCIATION

Mr. Pryor. Thank you, Mr. Chairman. I am Larry Pryor of Lance in Charlotte, NC, and appear for the Peanut Butter and Nut Processors Association whose members process peanuts. This verbal presentation is a summary, as requested by the subcommittee. In this connection I make two requests. First is that the prepared statement at this point be made part of the record.

Mr. Rose. Without objection, so ordered.

Mr. **Pryor**. My second request is that the text of this pamphlet, which our association has prepared pertaining to the Peanut Program, also be printed as part of the record.

Mr. **Rose**. We will include that as part of the file of this hearing. Go ahead, sir.

Mr. **Pryor**. We support the recommendations of the Department of Agriculture for phasing out the Peanut Allotment Program. This is a program which was instituted, along with others, to allow those who were actually doing the farming to have the allotments. Actually today many of those who are doing the farming must pay a price to a third party for this privilege. In most States it is completely illegal for anyone to produce peanuts for the U.S. market. We believe that this is basically wrong.

This program creates an artificially high price for the peanuts, for this market in the United States. Consumers are not only paying significantly more for peanuts and peanut products for American consumption, but they are actually subsidizing consumption in foreign countries. This program also has the side effect of restricting peanut imports, even when shortages occur in this country, and effectively prevents U.S. manufacturers from selling products in Canada. Even in States which do not have peanut allotments, farmers in those States operate profitably without rigid Government programs in the production of both soybeans and pecans. The growth in these industries has been most impressive under a market-oriented policy where the peanut acreage production for the U.S. market has changed little in the past 50 years.

We recognize that there are some who have come to be dependent upon the Peanut Program, which occurs almost always in the case of a Government guaranteed price type of program, and therefore a phaseout period is justified rather than an abrupt change. We believe the recommendations of the Department of Agriculture would provide properly for that change. It is our recommendation that it be enacted.

[The prepared statement of Mr. Pryor appears at the conclusion of the hearing.]

Mr. **Rose**. Thank you very much.

Any questions by members of the subcommittee panel?

[No response.]

Mr. **Rose**. Thank you, sir. We appreciate your being here. We are glad to hear from you.

Mr. **Pryor**. Thank you.

Mr. **Rose**. Our next witness is Dr. Sydney Reagan, the Southern Peanut Shellers Association, Dallas, TX.

STATEMENT OF SYDNEY C. REAGAN, GENERAL COUNSEL, SOUTHWESTERN PEANUT SHELLERS ASSOCIATION

Mr. **Reagan**. Thank you very much, Mr. Chairman. I am Syd Reagan, general counsel of the Southwestern Peanut Shellers Association, and I am speaking today in their behalf. Our members include all of the peanut shellers located in Texas, Oklahoma, and New Mexico.

This committee is to be commended for the legislation it developed and was able to get passed 4 years ago. With few exceptions, the program has worked out very well during these 4 years. Our members strongly support the continuation of the program and we support in general the legislative recommendations of the national peanut growers group.

We feel that the new legislation should provide a means whereby there would be essentially no losses to the Government. We feel that the growers' proposal should be amended in two respects to eliminate possibilities of losses.

Two amendments are needed that will deal with two problems that have developed with the additional Peanut Program. The problems have developed in that it has been possible for additional peanuts to find their way into the domestic edible market at prices below the quota prices. The effect of this, of course, is to undercut the quota program and make it possible for the shellers that are involved in this practice to introduce into the market shelled peanuts at lower than the quota support.

The first problem deals with a matter that developed beginning in about 1984 and is going to become a larger problem in 1985. The problem arises when a grower delivers his additional peanuts to a sheller with an agreement, receives a payment from the sheller for doing so, then places his additional peanuts under loan through the seller and receives the amount of the nonrecourse loan from the Government and, finally, assigns his proceeds from the distribution of profits from the additional type pool to the sheller.

The sheller, within 72 hours, buys back at quota support price from CCC these additional peanuts that were placed under loan, and uses them in the domestic edible market. When the distribution is made from the additional type pool at the end of the year, the sheller receives the distribution. There are variations as to how the proceeds from the additional pool will be distributed, and sometimes the grower participates. It depends on the agreement between the grower and the sheller.

The end result is that the grower receives as much or more for his additional peanuts as he would have under a contract for export. The sheller is able to end up paying less than quota support for them, and quota peanuts are displaced in the edible market.

I have worked out and have attached to my statement a very detailed, step-by-step example as to how this operates. The Department of Agriculture has refused to do anything administratively about this practice. The only way to deal with it is through legislation. The amount of the distribution from additional pools must be made sufficiently uncertain that the shellers will no longer engage in this practice. The best way to achieve this is to eliminate the additional type pools by areas and simply have an area additional pool. New Mexico Valencia should be excluded because they represent a unique type of peanut and account for substantially less than 1 percent of the national production of peanuts. The present legislation can be amended very simply by striking the word "type" in connection with the additional pools and by adding the New Mexico Valencia exclusion.

I am happy to say that the Virginia-Carolina Shellers Association, covering Virginia and North Carolina, concurs with this recommendation.

Another problem in connection with additional peanuts arises from the lower-quality shelled additional peanuts legally required to be exported, being diverted into the domestic edible market, and higher-quality quota peanuts substituted for them in export. This occurs because the price of lower-quality shelled peanuts is very weak in foreign markets compared with the price of higher-quality shelled peanuts. The market for lower-quality shelled peanuts is stronger in the domestic edible market.

This problem was recognized by the Government several years ago and, to prevent it, the Government established required supervision of representatives of the Government of the shelling and export of additional peanuts. This is effective in dealing with the problem discussed above but such supervision is very expensive for the shellers and very disruptive to shelling operations.

Our members favor an effective alternative to supervision that the shellers can choose. We recommend that the new legislation provide that, as an alternative to supervision of the shelling of additional peanuts, the sheller can agree to export the same proportion of each grade and size based on the shelling experience with additional peanuts at that shelling plant under supervision for 1983 and 1984 crop peanuts.

Unless an effective alternative to supervision can be incorporated into the legislation, then our members favor mandatory supervision. Our members urge that Congress deal with these two problems and prevent losses from occurring to the Government under the new legislation.

I of course will be happy to respond to any questions. Thank you.

[The prepared statement of Mr. Reagan appears at the conclusion of the hearing.]

Mr. Rose. I don't have any questions but I want to commend you for a very thorough statement that goes into the kind of detail that we need to understand your position. Thank you, Dr. Reagan, for that.

Mr. Reagan. Thank you very much.

Mr. Rose. There may be questions from the panel. Thank you for coming and being with us.

Mr. Reagan. Thank you.

Mr. Rose. Our next witness is Mr. Jimmy Curry, the Georgia Peanut Producers Association from Shellman, GA, accompanied by Mr. Fletcher Thompson of Blakely, GA, and Mr. Walt Mitchell of Blakely.

Gentlemen, we are glad to have you and you may proceed.

STATEMENT OF JIMMY CURRY, SECRETARY-TREASURER, GEORGIA PEANUT PRODUCERS ASSOCIATION, ACCOMPANIED BY FLETCHER THOMPSON, PRESIDENT, WALT MITCHELL, EXECUTIVE DIRECTOR, AND JULIAN HOLLAND, WASHINGTON CONSULTANT

Mr. Curry. Thank you, Mr. Chairman.

My name is Jimmy Curry. I am a peanut producer from Randolph County, GA. I also serve as the secretary-treasurer of the Georgia Peanut Producers Association. With me is Mr. Fletcher Thompson, a peanut producer from Early County, GA, who serves as the president of our association, our executive director, Mr. Walt Mitchell, and our Washington consultant, Mr. Julian Holland.

There are approximately 10,000 actual peanut producers in the State of Georgia. The Georgia Peanut Producers Association works for all these producers. Over 1,200 of them contribute financially to the operational expenses of our association, as do many rural financial institutions and chemical companies who have a vested interest in the economic health of our industry.

We realize that we are only a small part of this Nation's agricultural population and that as farmers we are in the minority. There are 2.4 million farmers in contrast to 10.3 million welfare recipients and 20 million food stamp recipients.

Therefore, Mr. Chairman, as spokesman for the Georgia Peanut Producers Association, we are grateful to you and the other members of this subcommittee for inviting us to testify on behalf of the Peanut Program. As peanut producers, we consider ourselves very fortunate in having men with an understanding of agriculture and its unique and special problems serving on this committee.

Last summer and fall this subcommittee held numerous field hearings throughout Georgia and the other peanut-producing regions of the country. As an association, we testified at all the field hearings in Georgia. During that testimony we stressed the importance of peanut production and the present program to the economic well-being of the entire State of Georgia. We explained how peanuts were a specialty crop and required a sizable financial investment to produce. These points and many more were made and discussed at length and are now part of the record for the Members' attention during the deliberations on the peanut section of the 1985 farm bill.

Today we want to address several other points that we feel should be considered during the deliberations of this committee.

Mr. Chairman, the peanut producers in Georgia, as well as the producers in the other major peanut-producing areas, have a record of over 12 years in working with previous administrations, the Congress, and in particular this committee in a cooperative manner in addressing past problems in the Peanut Program. Together we found solutions to correct those problems. We have sincerely and earnestly cooperated to the fullest with the end-users, the handlers, and other segments of the industry to fashion a program which now serves the best interests of all parties and, in particular, the American consumer.

Beginning in the early 1970's, a trend developed in the Southeast wherein producers began planting a new variety of peanut, the Florunner. In most cases, the runner variety of peanuts greatly increased the yields over the previous varieties. This excessive yield spelled trouble because, under the old Peanut Program, the Department of Agriculture by law had to purchase all peanuts under a one-price system based on 75 percent of parity.

Mr. ROSE. Let me ask you to hold it right there, if you will. We have got another vote. We have got a vote on the floor. We will be back in about 10 minutes. If you will just hold at ease, we'll finish your statement when we return. Excuse us for having to go vote.

[Recess taken.]

Mr. ROSE. The subcommittee will resume its sitting.

When we recessed for the vote, Mr. Jimmy Curry was on page 3 of his testimony. Mr. Curry, you may proceed.

Mr. CURRY. Thank you.

During 1974 and 1975 the Commodity Credit Corporation had as many as 600,000 tons of runner peanuts in surplus and, because of the provisions of the old law, these had to be crushed to make room for the new crop. This created an unacceptable and unreasonable cost to the American taxpayer. The producers in Georgia and this committee realized the potential damage that could be done through the continuation of such a Peanut Program. Both the producers and this committee realized that something had to be done.

In early 1976 this committee, under the former chairman, held 13 unofficial hearings in Georgia over a period of 2 weeks, outlining the problem to the peanut producers in south Georgia and explaining the repercussions should nothing be done to lower the cost of the program. I might add that those meetings were well attended and also very vocal. No one really knew when the rope might be brought out, but the meetings were fruitful and a consensus was reached.

Negotiations were held with producers from the other regions, and the 1977 farm bill reflected the needed changes in the program. This committee in its wisdom worked very diligently, and most of the problems with the program were corrected. The producers agreed to major modifications in the program, instituting poundage quotas, establishing a two-price system, and reducing domestic quotas over a 4-year period to reflect more accurately the domestic requirements. The result was a dramatic reduction in the cost of the program, and the potential for greater sales of peanuts overseas.

The producers in this country, willingly and in good faith, cooperated to change drastically the program for the first time since its inception in 1938. By 1981 more fine tuning was needed to further streamline the program, and the producers once again worked closely with this committee to amend the program.

We have now reached the point where the program is working at its best. It has been termed a model of success. The Department of Agriculture has a group of dedicated men and women who are administering the program in a fair and equitable manner and in the best interests of the country. The program now allows for the production of an adequate amount of quality peanuts to expand our export market, while at the same time supplying our domestic requirements.

It has specific options to protect the end-users in case there is a shortage in the domestic quota supply. These options were utilized to a high degree last year, especially the buy-back provisions. Most important, however, from a producer standpoint, the present program allows the actual producer to make a decent return on his large investment. With agriculture experiencing its most serious economic crisis since the Depression, this return is lifesaving in the case of most peanut producers. Thankfully, peanuts can still be used as collateral with lending institutions in the South.

Therefore, the present program is providing an adequate supply of quality peanuts to the domestic and export markets, but this committee, we realize, must ask and answer the question, "How much is the Peanut Program costing the American taxpayers?" Mr. Chairman, very recent figures that we have obtained indicate that the cost to the Government of the 1984 crop will be less than $5 million. The final tally is not in but there is a possibility the cost could actually be zero and could conceivably even result in a small profit for the U.S. Treasury.

Serving to reduce the final cost of the program is the fact that the CCC is making about $65 per ton in crushing additional peanuts. They have invested only $185 per ton in these additional peanuts which are being crushed and sold at oil market prices at approximately $250 per ton.

It is natural for producers to want to protect a program they feel is in their best interest, but any time a problem has arisen that could affect any segment of the industry, the producers have accepted reality and given their cooperation. A case in point was the drought experienced in 1980. It was very obvious that not enough peanuts would be available to supply our domestic requirements. The endusers requested that the import level of peanuts be raised to 300 million pounds. The producers in Georgia could have fought this request through the International Trade Commission, but did not. We knew that it would bring foreign peanuts into this country and also open the door for other peanut-producing nations to move on our foreign markets, but we agreed to support the request and the end-users were able to keep their production lines running through a simple administrative adjustment.

In conclusion, Mr. Chairman and members of this subcommittee, we ask you to consider these things in your future deliberations, in your negotiations with colleagues and in your recommendations to the Congress: the Peanut Program is not a contributing factor to the enormous deficit our Nation faces. Peanuts cannot be lumped into the same category with wheat, corn, or beans. The present Peanut Program provides consumers with a quality product at reasonable prices and is becoming an increasingly important part of our export trade. The program operates at virtually no cost to the taxpayers of America. At the same time, it is a program that undergirds and supports the economic stability of thousands of farm families and agribusiness industries.

Mr. Chairman, we thank you for allowing us to speak up for the peanut producers of Georgia, and we will be pleased to answer any questions the members may have.

Mr. Rose. Jimmy, thank you very much. You have probably answered most of our questions in what you have presented to us. Do any of your accompanying witnesses have anything they want to add, or are they just available for questions?

Mr. Curry. They are available.

Mr. Rose. Any questions?

Mr. Hatcher. I don't have any.

Mr. Rose. Gentlemen, thank you very much. I think you have laid it out very clearly to us, and we appreciate all of you being here.

Mr. Curry. Thank you.

Mr. Rose. Next I would like to call Mr. Laverne Johnson, the president of the Oklahoma Peanut Growers Association, from Fort Cobb, OK.

Laverne, it is good to see you in Washington. We certainly enjoyed being with you last Monday in Oklahoma for a hearing in Glenn English's district.

STATEMENT OF LAVERNE JOHNSON, PRESIDENT, OKLAHOMA PEANUT GROWERS ASSOCIATION, ACCOMPANIED BY JACK COPPAGE, PAST PRESIDENT

Mr. JOHNSON. Mr. Chairman, I want to tell you how much we appreciate your coming to Oklahoma. By your coming and bringing your colleagues, we are comparatively a small peanut-growing State but it did something for our growers to have a subcommittee such as yours come. It kind of gave them a little of that "sic 'em" you know, so we appreciate your coming.

Mr. ROSE. We thank you.

Mr. JOHNSON. Mr. Chairman, thank you for the opportunity to testify today on behalf of the Oklahoma Peanut Growers Association. I have with me my fellow peanut grower from the eastern part of Oklahoma, Holdenville, OK. He is our past president of our growers association, Mr. Jack Coppage. I'm glad to have him with me.

I have grown peanuts in Caddo County, OK, since 1955, and over the years the Peanut Program has been the one mark of stability in our farming operation, something that both my banker and I could count on for some consistency— that is, if we could beat Mother Nature. The Peanut Program has kept us going when the other commodities were subject to boom-and-bust economic swings.

However, complying with the program has required some sacrifices on our part. First, to maintain my allotment or poundage quotas over the years, I have had to plant peanuts every year. This requirement has guaranteed the American consumer a steady supply. Second, despite my complying with this requirement, program changes made by Congress have dramatically reduced the number of acres of peanuts that I can grow. In fact, I am now farming less than half the peanut acreage that I had in the late 1960's.

However, I understand why this has happened. The dramatic surpluses of the 1970's and the increase in yields that we have experienced nationwide have meant that without the production controls demanded by the program, peanut farmers would have vastly overproduced for our market. The result would have been "boom and bust," and I probably would not be farming today.

Mr. Chairman, the Peanut Program has demanded discipline and sacrifices but it has kept us in business. In fact, whole communities in Oklahoma have been able to survive because of the stability offered by the Peanut Program.

Mr. Chairman, I would like to add a little bit to my printed material here. Mr. Chairman, peanuts rank third in agricultural gross revenues for the State of Oklahoma. Crop receipts were in excess of $50 million for 1984. Those figures relate to a $350 million business for the State of Oklahoma, after an average turnover of 7 times for each dollar spent. Without a doubt, Mr. Chairman, peanuts are important to the 2,400 growers in Oklahoma. Because of these facts, and on behalf of the hundreds of grower-members of the Oklahoma

Peanut Growers, I ask Congress to continue the peanut program. I strongly endorse the legislative recommendations of the National Peanut Growers Group, and request that Congress adopt the group's recommendations.

Thank you, sir.

Mr. Rose. Laverne Johnson and Jack Coppage, it's a pleasure to have you all here. Thank you again for the hospitality you both showed us in Caddo County. It was a lot of fun to be with you, and we certainly learned a lot by our firsthand experiences there.

Any questions?

[No response.]

Mr. Rose. Thank you both very much.

Mr. Johnson. Thank you, sir.

Mr. Rose. Mr. Bob Scott, South Carolina Peanut Growers Association.

We are glad to have you and welcome your comments, sir.

STATEMENT OF BOB SCOTT, SOUTH CAROLINA PEANUT GROWERS ASSOCIATION

Mr. Scott. Thank you, Mr. Chairman.

My printed statement is inadvertently on an airplane headed back to South Carolina, and I would appreciate it if you will bear with us and allow us to submit that.

Mr. Rose. If you will submit it to us within the next week, we will make it a part of the record. Go ahead and just give us a summary of your comments now, Bob.

Mr. Scott. Yes, sir. I am Bob Scott, from Aiken, SC. I farm corn, soybeans, and peanuts.

In my area peanuts are not grown successfully on the same land year after year. We find it necessary to grow corn or other grass-type crops for 2 years to sustain peanuts for 1 year. Therefore, it is false economy to base production costs solely on 1 year of inputs for peanuts. Especially hazardous would be comparing the cost of a high-yielding year of one farmer with a minimum input program of another. The costs of maintaining adequate conservation and preparing land during the two intervening years are prerequisite costs which are often overlooked during a short-term operation, often resulting in bankruptcy of the farmer.

Maintaining a suitable peanut crop rotation cannot be successfully accounted unless the complete farm is considered. A successful farming enterprise, producing a reliable supply of peanuts, cannot be based on peanuts alone. Individual costs are very important, but farmers who base economic decisions on these factors alone are going bankrupt in these hard times. Farming peanuts alone would be similar to maintaining a hardware store to sell only a line of nails.

As a peanut farmer, I know peanuts will never sell as cheap as potatoes, which they compete with, but everyone knows that potatoes yield around 40,000 pounds to the acre, and the average yield of peanuts in the United States is about 2,700 pounds to the acre, so there is absolutely no comparison between peanuts and potatoes.

Our current farm program allows the farmer the opportunity to produce high-quality peanuts for the American consumer and the flexibility to participate in the world markets when our technology provides. American peanut farmers supplied 50 percent of the export market during a time when the dollar has been strong and while others were losing exports. How much more can be asked of the peanut farmer?

Yes, additional can be asked of the peanut farmer. He could be asked to do this at no cost to the Government, and I am sure as we all know, he is doing it at no cost to the Government. No agricultural pursuits that I know of in the United States over the last 3 years have gained a percentage of the export market, period, and peanuts have done it in spite of the high-priced dollar.

The administration concedes their program will cost $75 million more than the current program in the very first year, a year in which we know the Federal budget needs cutting. This expenditure by the administration is unnecessary if we continue with our current program. In fact, I estimate that our current program will not use $75 million by the year 2010.

Mr. Chairman, this is the end of my remarks. The South Carolina peanut growers support the National Peanut Growers Group program proposals. We thank you for this opportunity to be here today.

Mr. ROSE. Bob, we appreciate you coming up here from South Carolina and making your statement. We are always glad to have you and, as I said, we will keep the record open for you to submit your formal statement.

Any questions by members of the panel?

[No response.]

Mr. ROSE. If not, we excuse you. Thank you very much.

Next, Mr. J.O. Jackson, president of the Western Peanut Growers Association, accompanied by—how many have you got, sir? I'll let you introduce them yourself.

Mr. JACKSON. Thank you. Mr. Chairman, on my left is Mr. Bill Fair and on my right is Mr. Doyle Fincer, members of our organization.

Mr. ROSE. We are delighted to have you gentlemen.

STATEMENT OF J.O. JACKSON, PRESIDENT, WESTERN PEANUT GROWERS ASSOCIATION, ACCOMPANIED BY BILL FAIR AND DOYLE FINCER, MEMBERS

Mr. JACKSON. Mr. Chairman, we appreciate the opportunity to appear before you today and present our statement to you. I am J.O. Jackson, president of the Western Peanut Growers Association. Mr. Chairman, the Western Peanut Growers Association appreciate the opportunity to appear before you and your subcommittee at this time to present our recommendations concerning the peanut section of the 1985 farm bill.

The Western Peanut Growers Association was organized to promote the production, marketing, and consumption of peanuts. In addressing the peanut section of a new farm bill, we believe an acceptable program should be workable from a total industry standpoint—growers, agribusiness, shellers, product manufacturers and, most importantly, consumers. Additionally, we must exercise budget responsibility as American taxpayers. We believe the bill must direct continued market-oriented transitions through effective modifications within the present program framework.

Our specific recommendations are based on past experience with the existing program and by injecting foresight into the future. These recommendations are to maintain the current laws allowing anyone to produce additional peanuts. The movement away from acreage allotments tied to historical land ownership begun by the 1981 farm bill must be continued by ensuring the right to grow to anyone in the United States desiring to produce for world markets or shortfalls in the quota supply.

Recognize the growers' obligation to reduce Federal budget exposure. Therefore, we propose freezing the national poundage quota at 1.1 million tons and reducing the quota support rate 10 percent, beginning with the 1986 crop.

Current laws and regulations directing movement of additional peanuts into domestic markets are absolutely essential in protecting the end-user and ultimately peanut product consumers. The immediate buy-back provision should be left intact in its present form, ensuring against quota production shortages. The area type pool concept protects against shortages of any particular type peanuts, accommodates expansion in U.S. consumption, provides the supply safety net to protect consumers from extreme price fluctuations, and allows the additional grower dividends to subsidize the quota growers program, resulting in no Federal budget exposure.

We support the sale and lease of quota poundage across county lines. Producers in some States, such as Arizona, California, Mississippi, Arkansas, Louisiana, and New Mexico, enjoy this privilege, while it is denied to others such as Florida, Georgia, Alabama, Virginia, North Carolina, Oklahoma, and Texas. This prohibition locks production into historical growing areas, resulting in shortfalls in quota production.

For example, three large Texas counties considered leading producers have failed to produce their poundage quota all three of the last 3-production years. Existing data plus 1984 crop estimates indicate a shortage in excess of 78.7 million pounds. This is not a reflection on grower production ability, but rather a result of continuous peanut production on the same land for as many as 50 years.

Sale or lease across county lines would provide growers the opportunity to relieve their financial stress due to production shortages. Concurrently, new growers in lower-cost production areas would be afforded the opportunity and incentive to produce, ensuring the production of all the national poundage quota.

Eliminate the contracting deadlines for additional peanuts for export or crushing. The April 14 deadline constitutes undue Government interference in marketing. Market-oriented progression should place market decisions on growers, enabling them to compete in world markets based on existing market conditions without interference from Government-imposed deadlines. We believe in our ability as growers to identify and produce for whatever markets are available to us.

Integrate the regulatory compliance and CCC price support activity into USDA-ASCS. Combining Peanut Program administration and price support activity would eliminate bureaucratic duplication and dual interpretation of the law. For example, area grower associations have the sole authority to administer CCC price support activities, but ASCS handles on-farm storage loans and quota controls. Clearly there are duplicate functions here and elsewhere which can be combined and streamlined.

We also mention one other point. As an organization, we speak for growers whose production is over 90 percent additional peanuts, probably representing the largest concentration of new growers in the Nation who have no quota poundage. We find the power to regulate, control policy, vote on referendums, dispose of loan additional peanuts, and speak on national policy issues, is controlled by historical producer representatives who naturally resent the intrusion of new growers. ASCS would prove a more neutral regulatory authority.

In conclusion, we suggest any transition, orderly or otherwise, to a free market concept can only be achieved through gradual changes afforded by law. Our recommendations embody a degree of change in that direction necessary to develop new growers who lend production efficiency and fresh inputs to the system. If positive workable solutions cannot be developed within the current program framework, we are prepared to support the administration's proposal for a new peanut program concept.

Thank you, Mr. Chairman.

[The attachments follow:]

1983 CROP YEAR

RANK	COUNTY	PRODUCTION	BASIC QUOTA	APPLIED UNDERMARKETING	+ OVER - UNDER
1	Frio	47,630,000	36,133,703	1,213,253	+10,283,044
2	Comanche	46,125,000	50,012,090	8,988,777	-12,875,867
3	Gaines	46,000,000	6,479,741	26,837	+39,493,422
4	Atascosa	39,220,000	31,680,483	1,122,715	+6,416,802
5	Wilson	28,280,000	17,901,921	1,234,971	+9,143,108
6	Eastland	23,265,000	30,967,033	5,307,759	-13,009,792
7	Mason	13,660,000	12,170,901	282,252	+1,206,847
8	Erath	13,370,000	13,093,111	2,213,772	-1,936,883
Total		257,550,000	198,438,983	20,390,326	+42,594,443
Less Gaines County		211,550,000	191,952,242	20,363,489	-765,731

The 39,493,422 lbs. of additional peanuts produced in Gaines County was critical to having enough peanuts from Texas to meet domestic demand. The 1984 crop production in Gaines County will be even more significant.

LEADING COUNTIES IN PEANUT PRODUCTION, 1982

RANK	COUNTY	1982 PRODUCTION	PERCENT OF STATE	QUOTA	APPLIED UNDERMARKETINGS	OVER	UNDER
		1,000 Pounds					
1	Frio	45,540	14.0	36,357,617	1,412,840	7,769,543	
2	Comanche	42,978	13.2	50,160,797	7,045,015		14,[illegible]7,81
3	Gaines	41,200	12.7	6,909,270	17,653	34,273,077	
4	Atascosa	36,319	11.2	31,501,093	784,747	4,033,160	
5	Eastland	27,658	8.5	31,263,605	4,713,537		8,119,14
6	Wilson	16,657	5.1	18,393,502	352,045		2,038,54
7	Mason	16,100	5.0	12,017,419	22,689	4,058,892	
8	Erath	11,520	3.5	13,291,108	1,723,503		1,[illegible],61
9	Fannin	5,360	1.6				
10	Brown	5,035	1.5				

Mr. ROSE. Questions by members of the panel?

Mr. HATCHER. Mr. Jackson, what State or States does your organization represent?

Mr. JACKSON. We have growers in the western part of Texas. We've got some growers in New Mexico and we have growers in Arizona and California, around the Yuma area, who concur with our position and are in the process of joining our organization.

Mr. HATCHER. Thank you.

Mr. JACKSON. Yes, sir.

Mr. COMBEST. Thank you, Mr. Chairman.

Mr. Jackson, on your point four regarding shortfall in some quota counties in producing their quota, are they using all of the peanut acreage or are some of them not using it at all? Have they quit producing? Have they quit trying to produce, or exactly what, a combination of both? Exactly why aren't they? You mentioned, of course, the continuous peanut production, but are a lot of the growers there no longer producing at all?

Mr. JACKSON. The quota is attempting to be produced. There has been a degree of reduction in the number of growers attempting to produce, by leasing all or selling all their quota to other growers within the county, and this is done under a restricted market because they have only the growers in the county as potential buyers for their quota pounds. It's not that they aren't attempting to produce, but under the present conditions in the counties there is not sufficient land for rotation.

For example, the farm I grew up on there in Eastland County I know has been in peanuts for 50 years, because I moved there when I was 5 years old and I'm 55. Under those conditions, it has practically become impossible for them to produce all their quota pounds, and with the restriction of the quotas to inside the county lines, come harvest time if there are not enough potential customers for that unproduced quota, it goes begging. The sheller has to make up the shortage from additional peanuts or from additional peanuts outside the county.

Mr. COMBEST. In that specific county, on your next to last page in your testimony, the 1983 crop year, they were 13 million under, their production in 1983?

Mr. JACKSON. I beg your pardon?

Mr. COMBEST. On your next to last page, 1983 crop year, Eastland County—the county specifically where you talked about growing up there—were 13 million under their quota?

Mr. JACKSON. Yes, sir. Eastland County was 13 million under and Comanche County was 12 million under. The production, the footnote down there at the bottom, the additional peanuts produced in Gaines County alone in west Texas was critical to having enough peanuts from Texas to meet domestic demand. You look across the chart, and less Gaines County, if you had taken Gaines County away, there would have been 765,000 pounds.

Mr. COMBEST. The production on those, with having used them for several years, obviously it would cost more to produce a pound of peanuts than it would on new land.

Mr. JACKSON. Definitely so.

Mr. COMBEST. Thank you very much, Mr. Jackson.

Mr. ROSE. J.O., what did you produce in Gaines County in 1984? Do you know that yet?

Mr. JACKSON. Roughly 35,000 tons. Is that right, Bill?

Mr. ROSE. Down from 46,000?

Mr. JACKSON. Do you want the poundage or the tonnage?

Mr. ROSE. Either way.

Mr. JACKSON. Either way?

Mr. ROSE. Well, poundage. You've got here on your 1983 crop year, 46 million pounds. Yes, 46 million pounds in Gaines County, and you say you probably went down to about 35 million this year—I mean in 1984?

Mr. JACKSON. No. We got about 70 to 80 million pounds in 1984, practically doubled 1983's production.

Mr. ROSE. Any questions?

[No response.]

Mr. ROSE. Have you and your organization been having discussions with the National Peanut Growers Group?

Mr. JACKSON. No, sir.

Mr. ROSE. Why not?

Mr. JACKSON. That's kind of an exclusive group. We are predominantly producers of additional peanuts, and we don't belong to the sorority. I don't mean to be offensive.

Mr. ROSE. I understand.

Mr. JACKSON. It's just kind of my nature to be blunt, and I apologize for that.

Mr. ROSE. What do you think 1985 will look like in Gaines County? Is there any way of even guessing?

Mr. JACKSON. At this point there's no way to project.

Mr. ROSE. Do intentions seem to be about what they were in 1984, or can you——

Mr. JACKSON. Yes, sir. No one is making a commitment.

Mr. ROSE. What can you tell us about the kind of prices that—I mean, I'm sure you don't know all the answers to this—but where are these peanuts going, these 70-some million pounds that were produced in Gaines County in 1984? Where are they going?

Mr. JACKSON. They are going predominantly through the immediate buy-back which the shellers needed to relieve the shortage of quota peanuts and to supply the demand of the Spanish variety of peanuts which we produce. We produce 99 percent Spanish variety peanuts in our area.

Mr. ROSE. Did any of them go into export?

Mr. FAIR. Yes, sir, they did.

Mr. ROSE. Because of the dollar? Has that been a problem, or what?

Mr. JACKSON. It has become a problem just the last couple of years, as far as the export market goes.

Mr. ROSE. Any other questions by anybody?

[No response.]

Mr. ROSE. Gentlemen, thank you for coming here and giving us this information.

Mr. JACKSON. Thank you, Mr. Chairman. We appreciate the opportunity.

Mr. ROSE. We appreciate what you say to us.

Mr. JACKSON. Thank you, sir.

Mr. ROSE. Mr. Wayne Baker, the New Mexico Growers Association, accompanied by Mr. Wesley Bales.

Gentlemen, we are glad to have you and look forward to your statement.

STATEMENT OF WAYNE BAKER, PRESIDENT, NEW MEXICO PEANUT GROWERS ASSOCIATION, ACCOMPANIED BY WESLEY BALES

Mr. BAKER. Thank you, Mr. Chairman. It is our pleasure to have been invited to this subcommittee hearing. The New Mexico Peanut Growers Association is indeed pleased to have the opportunity to express our views concerning the peanut legislation affecting all of our livelihoods.

New Mexico for years has produced the Valencia-type peanut used almost entirely for in-shell roasting. Our peanut industry is unique in the fact that all our marketable peanut production has continually been used commercially and bought from farmers at a premium price, at very little or no cost to the Government over the years.

Under the present Peanut Program, we have used the buy-back provision every year to supply the market demand for our product. The reason this provision has been important to us lies in the fact that New Mexico peanut growers have only an estimated 40 to 50 percent of the poundage quota needed to cover our market demands. The buy-back provision has worked in our area as it was designed to do, filling the need of short-supply peanuts by using additionals at the quota support price for domestic needs.

However, recently the provision has been abused by the industry and growers to circumvent the minimum established support price for domestic edible peanuts. This has displaced quota peanuts from the market, exposing the Government to possible losses. We see this abuse as the undermining of a program that has been responsible for providing a very high-quality product, stable supply, and reasonable prices for consumers, with a minimum cost to the taxpayers.

We feel that the program has many benefits to the peanut industry and must be continued with some changes to ensure its continued success. We recommend that in a new bill the following items, which affect our peanut industry in New Mexico, be considered.

Poundage quota should be increased proportionately in each State to 1.3 million tons nationally. Lease and transfer should be continued as is, with those farms not producing peanuts being reduced 10 percent a year and distributed in that State proportionately to producing farms.

Buy-back provision be continued: We support the idea of the area-type pools and would encourage the Department of Agriculture to review the history of each area-type pool. The purpose for this review would be to determine if these pools are being excessively funded and, if so, attention be given to increasing the percentage the grower receives at harvest. We certainly are not interested in the Department of Agriculture exposing itself to greater losses. We are simply interested in receiving our money on additionals at the earliest possible date.

Peanuts contracted for export must have a price per pound stated and contracted peanuts should not be allowed to enter into the domestic market without appropriate penalties. Minimum price support should be adjusted upward on a 3-year moving average of domestic edible farmer-stock prices.

Steps need to be taken to curb the manipulation of pools which result in unneeded production and surpluses of peanuts. These surpluses expose the Government to excessive, unnecessary losses. Historically, New Mexico Valencia peanuts have set an example of how the buy-back program was designed to function. It is our desire to continue to use the buy-back program in this manner, and any suggested legislation that would result in New Mexico Valencia peanuts being unduly penalized would not be acceptable.

Additionals should be supported at a price level that would not result in a cost to the Government. Unneeded regulations and requirements which hinder our handlers and shellers in the exporting of peanuts should be reviewed and corrected.

We have participated in lengthy discussions with our growers and processors in New Mexico. Our New Mexico Peanut Growers Association is an active participant in the National Peanut Growers Association, which has worked hard to unify all areas of peanut production.

Mr. Chairman, I would like to add that we feel confident that the Peanut Growers Association, the National Association, will be able to work out some of these problems that we have addressed in a fair and reasonable manner. We would support those efforts.

There is support from growers in New Mexico for the continuation of the present program with the refinements I have mentioned today. We appreciate the opportunity very much of being here, and would be glad to answer any questions that you might have.

Mr. ROSE. Thank you, Mr. Baker.

Mr. Bales, do you have anything you would like to add?

Mr. BALES. I will just continue to answer any questions that you all should have, with one exception.

It's kind of hard to sit back here and not get a little mad at some of the figures that we have seen brought before you, which I am aware that you all realize that this 80 percent profit they talk about is very—it's unreal, especially when an individual has been in the farming business for 30 years. Without the present Peanut Program I would have already gone under, and I am struggling now just to survive. Without it, you might as well say I'm gone. In other words, 30 years of experience and management down the drain.

Mr. ROSE. I certainly appreciate that, and we thank you for coming here today with Mr. Baker and giving us your testimony and your point of view. I think we all hear you very clearly, and we want to try to as nearly as possible meet everybody's needs.

Any comments or questions by members of the panel?

[No response.]

Mr. ROSE. Thank you both very much.

Mr. BAKER. Thank you, sir.

Mr. BALES. Thank you, sir.

Mr. Rose. Mr. Eddie Marks, Peanut Growers Marketing Association of Virginia, and Mr. Billy Bain from the same organization.

Mr. Marks. Mr. Chairman, Mr. Bain will give our testimony. He is president of the Peanut Growers Cooperative Marketing Association.

Mr. Rose. Thank you, Mr. Marks.

Go ahead, Mr. Bain.

STATEMENT OF BILLY BAIN, PRESIDENT, PEANUT GROWERS COOPERATIVE MARKETING ASSOCIATION, ACCOMPANIED BY EDDIE MARKS, MANAGER

Mr. Bain. Thank you, Mr. Chairman. It's good to speak before you again. We enjoyed having you in Wakefield, VA last year, and appreciate your interest in peanuts, and that of other members of this committee. I would like to extend another thank you to Mr. Stenholm for his remarks the week before last at the National Peanut Council Convention. He gave a very fitting speech. I thank him. Thank you for your remarks.

Mr. Chairman and other distinguished members of the subcommittee, I am Bill Bain, a peanut farmer from Dinwiddie, VA, a small rural area within Virginia's Fourth Congressional District. I am also president of the Peanut Growers Cooperative Marketing Association, one of the three area associations who, through contract with Commodity Credit Corporation, administer the current Federal Peanut Warehouse Storage Price Support Loan Program. I sincerely appreciate the opportunity to testify before you today.

In 1977 the program was drastically changed to meet three primary objectives, that being to reduce the cost of the program, to provide American consumers with an adequate supply of high-quality peanuts at reasonable prices, and finally an opportunity to help offset our balance of trade with the foreign world by exporting high-quality U.S.-grown peanuts. The program was modified and fine-tuned in the 1981 farm bill in a final process to meet these objectives. It pleases me to advise you we believe the program has and continues to accomplish these objectives. In fact, we now estimate the Peanut Warehouse Storage Price Support Loan Program will cost the Treasury less than $25,000 this year in the Virginia-Carolina area.

We believe the existing program provides an effective vehicle by which the grower can best market his peanuts, provides for a means by which domestic and export supply can be adjusted in order to meet demand. It provides flexibility for production of peanuts for export markets, which gives everyone the right to grow and provides a reasonable basis for financing the production and processing of the crop. We only see major disadvantages and disaster to switch from the present program to the concept of an open-end, low-loan concept as discussed by others. We are appalled at what we understand the administration has proposed, in that we understand by USDA estimates it would cost between $75 million and $100 million during the first 5 years of inception.

We are members of the National Peanut Growers Group and support their more specific position. We believe the provision of determination of the quota support rate as outlined in their testimony today, of utilizing a simple average of the immediately preceding 3-year market price rather than basing the quota support rate on a determination of national average production cost, will take the program as outlined to a final market-oriented position.

In closing, we believe the program as the National Peanut Growers Group is proposing is a model program which will work for all other segments of the peanut industry and consumers alike. In fact, it may serve as a possible model for some of the other commodities in today's environment.

Mr. Chairman, I have the privilege of serving on Congressman Sisisky's Farmers Advisory Committee. We meet and discuss problems in the Fourth Congressional District of Virginia. I am exposed to a lot of farmers that are concerned about what is happening in agriculture, and mainly peanuts. That is our big crop in the Fourth Congressional District. The thought of losing our quota poundage and price support, most farmers do not believe that they would be able to approach their banker and ask for a loan. It will just be out of the question to get financing for the forthcoming crop year. The buy-back has worked well in our area and we feel like it's a vehicle that we need and can live with.

Somewhere along the way today I got the impression that we've got a shortage of peanuts—from some of the other testimony that was given—where in these United States we are crushing peanuts for oil. I don't understand where some of our previous speakers came from, about this concern of growing more acres of peanuts. I really believe, in the end, if we were to go with their rate and the administration's rate, there would probably be less acres of peanuts grown then there are today, because of financing problems and the uncertainty involved.

I do think that we need to rely on our land grant university figures in cost of production, as Mr. Schools said earlier, $666 per acre, which does not include land rent. So let's say we add $100 to that, which would be $766 for production of an acre of peanuts, and they are basing that on a 3,000-pound average. So, as you can see, a farmer probably stands to make maybe $10 an acre on peanuts using a 3,000-pound average, so even to survive he has got to strive and use the best management tools available to surpass that level. I would like to mention that in Virginia last year our production was only 2,776 pounds an acre, I believe.

As you see, we are struggling, and I just feel confident this committee, as well as other members concerned with agriculture, are going to do everything they can to protect our Peanut Program.

I thank you.

Mr. Rose. Thank you, Billy. I enjoyed my visit down to Wakefield, and I certainly appreciate, from that visit, how important the Peanut program is to south Virginia. I want to thank you for your testimony, and Mr. Marks. We are glad to have both of you here.

Are there questions by members of the subcommittee?

[No response.]

Mr. Rose. If not, we will excuse you. Thank you very much for being with us today.

Mr. Marks. Mr. Chairman, I would like to point out for the record, I believe Mr. Bain made a slip of the tongue, in that we understand that the administration's proposed Peanut Program would cost $75 million to $100 million during its first year of inception, not during a 5-year tenure.

Mr. ROSE. Thank you very much for that.

The subcommittee will stand in recess for a few seconds now. We need to go vote one more time, and then we will come back and hear Mr. Ross Bowen—where is Mr. Bowen?

Mr. BOWEN. Right here, sir.

Mr. ROSE. Mr. Bowen, we apologize for being so late but we are glad to have you, and Mr. A.L. Phillips of American Agriculture. Where is he? Gentlemen, you both relax for just a few minutes and I will be right back.

[Recess taken.]

Mr. ROSE. We are going to hear now, if the subcommittee will come back together, we are going to hear from Mr. Ross Bowen, the past president of the Southern Peanut Warehousemen Association from Albany, GA. We are glad to have you, sir, for whatever you would like to tell us.

STATEMENT OF ROSS BOWEN, PAST PRESIDENT, SOUTHERN PEANUT WAREHOUSEMEN ASSOCIATION

Mr. BOWEN. Thank you, Mr. Chairman and members of the subcommittee. I am Ross Bowen of Lyons, GA, past president of the Southern Peanut Warehousemen Association, a farmer, and a small peanut warehouseman. I am speaking on behalf of the approximately 100 members of the Southern Peanut Warehousemen Association of Albany, GA.

We are a group of independent warehousemen who handle and store approximately 500,000 tons of farmer-stock peanuts in the peanut-producing areas of Georgia, Florida, and Alabama. We, more than any other segment of the peanut industry, realize the importance of maintaining a viable Peanut Program.

There are many reasons why it is important for USDA to continue a Peanut Program similar to the present program adopted in 1981. The main reason, of course, is to assure the availability of a supply of high-quality peanuts to the manufacturing companies who, in turn, make available to the American people as well as the people throughout the world an abundant supply of the finest high protein food on Earth. The Peanut Price Support Program has built into it a quality control section which assures that nothing except the very highest quality peanuts are available for edible use.

In reality the peanut is a perishable commodity. It has to be handled and stored with the utmost care and cannot be carried over to a second year without putting it into cold storage, which is impossible, except on a very limited basis. Therefore, when we store peanuts in our warehouse in September and October 1984, regardless of all the care we use, these peanuts will begin to become rancid and out of condition when the temperature gets high in July and August 1985, making it impossible to keep them the second year.

Production of peanuts is a highly sophisticated and expensive operation, with present inflation pushing the cost above $600 per acre in 1984. With a national average yield of about 2,600 pounds per acre, this means that only the growers with above the national average yield will have made a profit in 1984.

Should the Peanut Price Support Program be allowed to expire, the year of 1986 would be a year of chaos and confusion. The farmers in the three producing areas would certainly produce many more peanuts than the market could absorb or more than we warehousemen and shellers could handle. Therefore, the price would certainly fall far below cost of production. Consequently, the following year there wouldn't be enough production to supply the demand, creating a disaster to the entire peanut industry, from the producer to the consuming public.

I believe that if the manufacturers of peanut products knew the real peanut story, they would appreciate the supply of high-quality peanuts available to them at a most reasonable price. The drought throughout the three peanut-producing areas in 1980, which cut production in half, had a most devastating effect on the entire peanut industry, causing peanut prices to soar to $1,600 per ton. However, the price escalation had very little effect on price to the producer, as 95 percent of the peanuts had already left the producer before the price escalated. The short crop in 1980 caused the price of peanut products to almost double at the supermarkets. I doubt that the excessive high prices were justified because most of the peanuts were contracted and delivered to the manufacturer at a price based on the $455-per-ton support price.

Mr. Chairman and members of the subcommittee, I plead with you to assure the American people, as well as many people throughout the world, plenty of high protein wholesome food made from peanuts at a reasonable and stable price, by adopting a peanut program similar to the 1981 act for the next 4 years. Now the Peanut Warehousemen Association strongly supports the National Peanut Growers Group's position in support of this 1985 program.

I appreciate the opportunity to come and meet with you, and I hope my remarks might assist some in continuing with the program.

Mr. Rose. Thank you, Mr. Bowen. We appreciate your testimony. I have heard a lot about you from Mr. Thomas, whose district I believe you are in.

Mr. Bowen. Yes, sir.

Mr. Rose. We are delighted to have you here today.

Mr. Thomas, I will turn the floor over to you, sir.

Mr. Thomas. Mr. Ross, I don't have any questions for you. I just once again want to welcome you up here to this committee, and tell you how proud I am to have you in my district and to work with you, a person who has done his very best over the years to represent agriculture's best interests. I thank you and all the good people who have come here with you today for your testimony.

Mr. Bowen. Thank you, Mr. Congressman. I would like to say this, that we are very happy to have Congressman Lindsay Thomas representing us up here in the House of Representatives, and particularly on the Agriculture Committee. We feel like we have the best Representative we have had in many, many years as far as agriculture is concerned.

Mr. Rose. Thank you, Mr. Bowen.

Our next witness is Mr. A.L. Phillips, president of the American Agriculture Movement.

We have saved you for the last, and I hope you have learned a lot here today. Mr. Wampler and I are going to give everybody a little test here in a minute on what they have heard today. You will be our last lecturer.

Mr. PHILLIPS. I think the further it goes, Congressman, the better it gets. Thank you.

Mr. ROSE. It's good to have you, sir.

STATEMENT OF A.L. PHILLIPS, JR., VIRGINIA PRESIDENT, AMERICAN AGRICULTURE MOVEMENT, INC.

Mr. PHILLIPS. Mr. Chairman and subcommittee members, it is a real privilege to be here today and to help in directing the destiny of our great country. Agriculture, with its tremendous productivity, is the answer, and with peanuts ranked as the ninth largest cash crop, valued at $1 billion, we consider the Peanut Program vital to both the producers and the consumers' best interest.

I farm, and I raise peanuts, corn, soybeans, wheat, and cattle. I am a member of all of the commodity groups. The Peanut Program we have is the best of two worlds. It contains a market-oriented approach coupled with supply management. The only way either one of these two approaches can work is with a program.

The cost is minimal. We have been through that before. If you took the actual cost for the 1.4 million tons of peanuts produced and divided it by the $3 million or whatever it costs for the program, it goes to just show that it is practically a no-cost program. The real proof of performance is that the Peanut Program has a 47-year track record and a farmer referendum keeps it in place. It is vital to our exports.

With farmers having fixed costs, increased production expenses, and no support reflecting the cost of production, is when supply and subsidies become a problem. Why increase the expense of this cost-effective program? Why dismantle a workable, cost-effective program?

When there is a surplus of any given commodity, it not only creates a burden for the consumer, it dictates the price the producer receives. To this point, the Peanut Program has provided a workable base while protecting the best interests of both the consumer and the producer.

Mr. Chairman and subcommittee members, I am more than willing to compete with my 50-cent-per-day foreign farmer counterpart—excluding the human rights violations—as proposed by the administration in a free market, more exports and lower prices. However, the key to my participation in this orderly transition will be nickel-a-gallon fuel, $5-a-ton fertilizer, $500 pickups, and $5,000 tractors. To accomplish this may be an effort in futility, because so far no other business supplying agriculture's needs wants to operate as the farmer does.

This is off the record, Mr. Chairman, but I just wrote down a few notes that I didn't include here and I would like for you to take these into consideration.

Mr. ROSE. All right.

Mr. **Phillips.** We are opposed to county and State transfers of peanuts. I like Mr. Roberts' definition very frankly and honestly about that, of the rogue elephant. We have seen this in some parts of the States before we did go into it, and it ends up all at one end or the other, and they usually end up all being subsidized.

I raise peanuts and I love chocolate coated peanuts, but I can't afford to buy them, and when I do it's on a very limited basis. Numerous Congressmen, and especially Mr. Thomas Irvin, the commissioner of agriculture, addressed the issue with extreme accuracy: All commodities need supply control programs. Agriculture is not the problem; it's the solution. We have what it takes to bring in the revenues to settle our deficits and our problems.

Mr. Chairman, I think a letter is in order to not only the APPMI in regard to how much they spend per jar for whatever product they produce, to help lower the farmer's price and in doing so destroying an effective, market-oriented program. If these organizations are truly sincere in reducing the cost to the consumer, I would say passing that savings on to the consumer would be an excellent place to start.

With regard to highly concentrated businesses, it was in the credit hearing just held several weeks ago, when several of the BankAmerica, the Farm Credit System and the other individuals were questioned in regard to who was making money in agriculture, and who were these large farmers that were making industry, it was brought up that it was the broiler industry and some of your major feedlots. Family farmers, the farming structure as we know it today, had absolutely nothing to do with it. It was corporate-controlled, highly concentrated businesses.

If we continue to lose the farmers at the rate we are losing them and destroy the programs that we have today, which have been the most effective—sure, we've got some problems with them. We've got problems with our own family, we've got problems with everything, but that doesn't mean we are going to discard it. It means we have to work on it and redo it and rebuild it. Highly-concentrated businesses, the manufacturers are on point. If we gave peanuts away, the consumers wouldn't get a savings. Wheat, tobacco, the consumers wouldn't see a savings. Profit margin: It's only normal.

With land grant colleges and the USDA advocating "bigger is better," what happened to the American ideal of innovation, expertise, and technology that the International Corporation had, International Harvester? One hundred and fifty-three years of American dream. Nothing wrong with their product. It was the best. I didn't like the color of it but it was a good product. We couldn't buy it. We couldn't keep them in business.

I picked up an interesting statement today, and we have been saying this for quite a few years, but today it was just kind of put in its proper context: Whenever an individual, a company or corporate entity, whether they are international, regular, neighbor or not, whenever their cost increases it works its way up through the system. Agriculture revenue and return does also the very same thing, and when we can cut out a lot of these deficiency payments and what have you that have been accrued throughout the system is when we can turn agriculture around, and both the manufacturers, processors, and producers, we all will be better off. Then the consumer will profit.

Are we going to continue to let international corporations set policy and bankrupt a productive sector to gain a larger share of the market? Gentlemen, the choices and decisions are yours. We are not going to leave all of this to you. We stand here to help, and I for one have been negligent in not being active in the political process, and I know most farmers share the same thing because the times that they have tried, they have been subdued or they have been out-talked or they have been outmanipulated, and they feel there is just nothing they can do. You all do have a tough decision, but we are here today we are more than willing to work with you in determining whether or not we have a strong economy based on the principles of a strong, viable, productive middle class of America, or do we have subsidized international corporate complexes consisting of "A, B, C," I call them. One of them would be manufacturers, the other one would be "Bryzinskis," and the other one would be "Chan-Chi" corporate complexes operating in the counties and the States where family farmers are now operating.

Mr. Chairman, gentlemen, I certainly do appreciate the opportunity to address the subcommittee today.

[The prepared statement of Mr. Phillips appears at the conclusion of the hearing.]

Mr. ROSE. Mr. Phillips, thank you very much for your testimony. We appreciate your patience in being here for the whole hearing. We are happy to have you. Thank you very much, sir.

Mr. PHILLIPS. Thank you.

Mr. ROSE. This concludes today's hearing. The record will be kept open for the next 3 or 4 days for those that have not submitted statements that would like to.

The subcommittee will now stand adjourned, subject to the call of the Chair.

[Whereupon, at 4:30 p.m., the subcommittee recessed, to reconvene at the call of the Chair.]

[Material submitted for inclusion in the record follows:]

TESTIMONY OF
REP. NORMAN SISISKY
(4TH DISTRICT, VIRGINIA)

MR. CHAIRMAN, I WANT TO THANK YOU FOR THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY. I ALSO WANT TO COMMEND YOU FOR THE EFFORTS YOU'VE MADE TO FOCUS ATTENTION ON THE PLIGHT OF AMERICAN FARMERS, BOTH IN THE SOUTHEAST AND THROUGHOUT THE ENTIRE UNITED STATES.

IN THE FINAL ANALYSIS, FARM PROBLEMS ARE NOT EXCLUSIVE TO JUST ONE OR TWO REGIONS OR ONE OR TWO COMMODITIES. FARM PROBLEMS ARE FACED BY THE MAJORITY OF PRODUCERS OF ALMOST EVERY COMMODITY, WHETHER THEY BE PRODUCERS OF LIVESTOCK, GRAIN, TOBACCO OR PEANUTS.

TODAY THIS SUBCOMMITTEE IS FOCUSING ATTENTION ON THE PROBLEMS FACED BY PEANUT PRODUCERS. ALTHOUGH I REPRESENT PEANUT PRODUCERS IN THE FOURTH CONGRESSIONAL DISTRICT, I'M NOT GOING TO TAKE UP MUCH OF YOUR TIME BECAUSE THE PEOPLE I REPRESENT ARE HERE AND THEY CAN SPEAK FOR THEMSELVES ABOUT THE PROBLEMS THEY FACE.

I HAVE BEEN EXTREMELY GRATEFUL FOR THE AMOUNT OF TIME THAT PEANUT FARMERS FROM MY AREA HAVE BEEN WILLING TO SPEND WITH ME SO THAT I CAN GET EDUCATED ABOUT THE PEANUT BUSINESS IN VIRGINIA AND NORTH CAROLINA.

MR. CHAIRMAN, YOU ALWAYS SAY THAT THE FARM GROUPS NEED TO "PRAY TOGETHER" ABOUT FARM PROBLEMS- AND I AGREE. WE NEED TO REALIZE THAT THERE ARE THOSE WHO WOULD DIVIDE FARMERS AGAINST EACH OTHER JUST WHEN THEY MOST NEED TO BE UNITED.

I THINK YOU'LL FIND THAT THE PEANUT REPRESENTATIVES FROM MY AREA ARE UNITED IN AGREEMENT THAT THE ADMINISTRATION PROPOSALS FOR THE PEANUT PROGRAM INVOLVE SOME VERY QUESTIONABLE ASSUMPTIONS. THE MOST QUESTIONABLE ASSUMPTION OF ALL, IN MY OPINION, IS THAT PEANUT FARMERS WILL BE ABLE TO STAY IN BUSINESS WHILE WE PULL THE RUG OUT FROM UNDER THEM IN TERMS OF PRICE SUPPORTS AND LOAN RATES.

I DON'T THINK YOU'LL FIND A FARMER WHO DOESN'T WANT TO MOVE IN THE DIRECTION OF A FREE MARKET ENVIRONMENT. WE ALL RECOGNIZE THAT WOULD BE A GOOD MOVE FOR EVERYBODY. THE CURRENT SITUATION, HOWEVER, IS A LITTLE LIKE DRIVING AN OLD CAR: YOU CAN'T ALWAYS AFFORD TO SHIFT GEARS WHEN THE TRANSMISSION IS FALLING APART.

MR. CHAIRMAN, I SUBMIT THAT THE TRANSMISSION IS FALLING APART- AND WE'D BETTER PULL INTO THE GARAGE AND MAKE SOME REPAIRS BEFORE WE START THINKING ABOUT SHIFTING GEARS. TO BE REALISTIC, I THINK WE'RE GOING TO LOSE SOME FARMERS EITHER WAY, BUT WE'RE GOING TO LOSE A LOT MORE FARMERS IF WE START SHIFTING GEARS BEFORE WE MAKE BASIC REPAIRS.

I DON'T THINK IT'S RIGHT TO MAKE DRASTIC CHANGES OF THE KIND THE ADMINISTRATION HAS PROPOSED AT A TIME WHEN THE BOTTOM IS FALLING OUT OF AGRICULTURAL PRODUCTION INCENTIVES. AS I'VE ALWAYS SAID, I'M NOT A FARMER- I'M A BUSINESSMAN. BUT I KNOW THAT WHEN YOU INVEST A DOLLAR AND ONLY GET BACK 92¢, YOU HAVEN'T GOT A VERY GOOD BUSINESS.

THAT'S THE SITUATION FARMERS ARE IN TODAY. THEY CAN'T GET A GOOD RETURN ON THEIR INVESTMENT. THE SOLUTION OFFERED BY THE ADMINISTRATION WOULD REQUIRE THEM TO MAKE THE SAME INVESTMENT, WHILE ENSURING THAT THEY GET EVEN LESS IN RETURN. THAT JUST DOESN'T MAKE GOOD BUSINESS SENSE TO ME.

I THINK IT'S SIMPLE MINDED TO THINK WE CAN REDUCE LOAN RATES AND PRICE SUPPORTS, LEAVE THE INVESTMENT REQUIREMENTS OF FARMING UNTOUCHED- AND THINK THAT AMERICAN FARMERS WILL STILL BE ABLE TO COMPETE IN EXPORT MARKETS. I ALSO THINK YOU HAVE TO QUESTION IF, UNDER THOSE CIRCUMSTANCES, THEY'LL EVEN BE ABLE TO COMPETE AT HOME.

MR. CHAIRMAN, I KNOW THEY ADMITTED IT WAS A MISTAKE AND CLAIMED THAT THE PRESIDENT "MIS-SPOKE" (THAT WAS RATHER OBVIOUS). BUT WHEN THE PRESIDENT VETOED THE FARM CREDIT LEGISLATION WHICH WAS PASSED BY BOTH HOUSES OF CONGRESS, HE SAID THAT ONLY 4% OF FARMERS WERE IN REAL TROUBLE.

MR. CHAIRMAN, I INVITE HIM TO COME TO MY DISTRICT. TO BE HONEST, WE'RE NOT IN AS MUCH TROUBLE AS SOME AREAS OF THE COUNTRY. BUT THERE'S A LOT MORE THAN 4% OF MY PEOPLE WHO ARE IN VERY BAD TROUBLE. AND I JUST HAVE TO THINK THAT THE MISTAKE THE PRESIDENT MADE IS INDICATIVE OF THE ADMINISTRATION'S LACK OF UNDERSTANDING.

THEY DON'T UNDERSTAND HOW THE FARM ECONOMY WORKS. THEY DON'T UNDERSTAND THE ADVERSE IMPACT THAT THEIR FARM PROPOSALS WILL HAVE ON FARMING THROUGHOUT THE UNITED STATES. THEY DON'T UNDERSTAND HOW HARD IT IS TO GET A LOAN WHEN YOU DON'T HAVE JOHN BLOCK FOR A BUSINESS PARTNER.

I WANT TO CLOSE BY SAYING THAT I THINK EVERYONE AT THIS HEARING DOES UNDERSTAND FARM PROBLEMS. I BELIEVE THAT OUR GOAL IS TO CREATE A FARM BILL IN 1985 THAT MAKES SENSE AND THAT MOVES US DOWN THE ROAD TOWARD A FREE MARKET ENVIRONMENT IN A RESPONSIBLE MANNER. WE WON'T DO THAT BY PULLING THE RUG OUT FROM UNDER SOME THE BEST AND HARDEST WORKING PEOPLE IN AMERICA.

WE WILL DO IT BY LISTENING TO THE FARMERS WHO ARE WITH US TODAY AND BY PAYING CLOSE ATTENTION, MR. CHAIRMAN, TO YOUR WISE COUNSEL AND LEADERSHIP.

THANK YOU AGAIN FOR THE OPPORTUNITY TO BE WITH YOU THIS MORNING.

Statement of the
HONORABLE TIM VALENTINE
before the
SUBCOMMITTEE ON TOBACCO AND PEANUTS
COMMITTEE ON AGRICULTURE
House of Representatives

April 2, 1985

Mr. Chairman, first of all, I want to thank you for this opportunity to appear before your Subcommittee this morning to discuss the future of the peanut program.

Mr. Chairman, as you know, the State of North Carolina ranks third in the nation for peanut production, shelling and processing facilities. There are 9300 farms, comprising approximately 157,000 acres of land averaging 150 acres per farm. This represents approximately 2900 pounds of peanuts per acre and generates revenues of $125 million for the State.

Last month, I sent each Member of the House a one-pound can of fine "extra large Virginia-type homestyle peanuts" in celebration of Peanut Month. The peanuts were enjoyed by all and I certainly hope that you enjoyed yours, too.

As we consider what lies ahead in the future months for the program in the upcoming 1985 farm bill debate, one question quickly comes to mind. "What are the chances for a peanut program in 1986?" I am of the opinion that no one at the present moment can fully answer that question, but two things are very clear.

First, all commodities are going to have difficulty in obtaining any type of continued program. Those of us involved in the tobacco program have witnessed first hand those difficulties and the same may hold true for the peanut program. Secondly, the peanut producers have a lot of positive things to say in Washington in defense of their program, and I would like to contribute my share of positive things about the program.

In general, I believe any commodity group will have difficulty obtaining a satisfactory program for 1986 because there is little common agreement on what farm programs should consist of in 1986. The Administration has put forth a dramatic proposal for change, yet no farm groups or members of Congress have stepped forward to embrace it. I have also been told that other farm organizations have drafted a comprehenaive proposal; I do not believe it has been introduced for consideration by the Congress.

In short, there is great division within the power circles of Washington over what the future holds for agriculture policy. However, there is a case to be made for continuing the current peanut program.

The Peanut Program works. The current program has reduced government outlays by 90 percent for the cost of the program since 1977, resulting in a cost savings of over $500 million. Additionally, the program has allowed the U. S. to become the number one exporter of edible peanuts.

Another outstanding statistic from the State of North Carolina is that one-third of our peanuts are shipped to the world for their enjoyment, and another one-quarter of our total production is exported throughout the United States.

The Peanut Program has also allowed new growers to grow and sell peanuts, which has resulted in an abundant and stable supply. To guarantee this steady supply, peanut production has been spread over three separate areas of the United States, thus protecting peanuts from the vagaries of weather and diseases.

Though stringent quality controls have been in place to the benefit of the consumers, farmers have avoided a "boom and bust" agriculture for peanuts. In contrast, the Administration's proposed program would eliminate the production control and support price and replace them with a target price. The United States Department of Agriculture has estimated the Administration's proposed program to cost $75 million the first year. The current program, however, can be operated at least 15 years for what the Administration's proposal would cost the first year, according to the Peanut Growers Association.

Hundreds of small towns and communities depend on peanuts as a base of their economy. In Halifax County in my District and in Northampton County in the First Congressional District, 30 percent of all North Carolina's peanuts are grown. If the Administration's farm policy for 1986 is adopted, I am afraid of what might happen to these basically rural counties.

In closing, Mr. Chairman, let me say that with budget matters being the priority for Congress, the growers have a sound defense for their program. I believe this Administration will continue asking for sacrifices from many groups as a new farm bill and a new Federal budget are prepared. Peanut farmers have already made sacrifices over the years, and they deserve to be able to retain their program.

Please know, Mr. Chairman, that I stand with the peanut growers 100 percent and if I can assist in any way, please let me know.

Thank you.

TESTIMONY OF WM. L. DICKINSON
BEFORE
HOUSE AGRICULTURE SUBCOMMITTEE ON
PEANUTS AND TOBACCO
APRIL 2, 1985

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE, I THANK YOU FOR THE OPPORTUNITY TO ADDRESS YOU THIS MORNING ON A MATTER OF GREAT IMPORTANCE TO THE FARMERS OF MY DISTRICT. AS YOU KNOW, ABOUT TWENTY PERCENT OF THE PEANUTS GROWN IN THIS COUNTRY ARE GROWN IN ALABAMA, AND A LARGE PORTION OF THOSE ALABAMA PEANUTS COME FROM THE SECOND CONGRESSIONAL DISTRICT. PEANUTS AND THE PEANUT PROGRAM ARE VITALLY IMPORTANT TO MY CONSTITUENTS AND, THEREFORE TO ME, AND I AM GRATEFUL THAT YOU HAVE INVITED ME AS WELL AS PEANUT EXPERTS FROM ALABAMA TO TESTIFY BEFORE YOU THIS MORNING.

I COMMEND THIS SUBCOMMITTEE FOR ITS ATTENTION TO THE OPINIONS OF PEANUT GROWERS THROUGH FIELD HEARINGS IN ALL OF OUR PEANUT PRODUCING REGIONS, AND I PARTICULARLY APPRECIATE THE FACT THAT ONE OF THOSE HEARINGS TOOK PLACE IN SOUTHEAST ALABAMA WHERE PRODUCERS AND AGRICULTURAL EXPERTS OF THE SOUTHEAST WERE GIVEN A VALUABLE AND NEEDED OPPORTUNITIY TO HAVE THEIR VIEWS CONSIDERED BEFORE THE PEANUT SECTION OF THE 1985 FARM BILL IS WRITTEN.

MR. CHAIRMAN, WE ALL KNOW THAT ONE OF THE GREATEST CONCERNS AND CHALLENGES THAT FACES THIS 99TH CONGRESS IS THE STREAMLINING AND REDUCTION OF THIS GOVERNMENT'S VAST EXPENDITURES SO THAT WE MAY MOVE TOWARD A BALANCED BUDGET. PERHAPS THE MOST APPARENT EXAMPLE OF THE DESIRE TO ACCOMPLISH THIS END LIES IN THE PROPOSALS FOR REDUCTION NOW BEING CONSIDERED IN OUR AGRICULTURAL PROGRAMS. I BELIEVE THAT NO ONE HERE WOULD DISAGREE WITH THE FACT THAT WE MUST REDUCE THE STAGGERING AMOUNT OF MONEY THAT IS SPENT ANNUALLY ON OUR COMMODITY PROGRAMS, OR THAT THERE ARE PROGRAMS IN NEED OF ADJUSTMENT OR REORGANIZATION. BUT THE PEANUT PROGRAM, IN MY OPINION, IS NOT SUCH A PROGRAM, AND I STAND BEFORE YOU TODAY IN SUPPORT OF THE CONTINUATION AND FINE TUNING OF THE PEANUT PROGRAM AS IT IS CURRENTLY IMPLEMENTED.

A STRONG REASON FOR MY SUPPORT OF THE CURRENT PROGRAM IS THE NEARLY UNIVERSAL SUPPORT THAT IT ENJOYS AMONG PRODUCERS. THE MEMBERS OF THIS SUBCOMMITTEE KNOW BETTER THAN I THAT THE OVERWHELMING CONSENSUS OF OPINIONS EXPRESSED IN YOUR FIELD HEARINGS ACROSS THE SOUTH WAS THAT THE PEANUT PROGRAM IS SUCCESSFUL AND SHOULD BE MAINTAINED WITH ONLY MINOR ADJUSTMENTS.

THE PROGRAM IS WORTH MAINTAINING NOT ONLY BECAUSE IT IS SUPPORTED BY ITS PARTICIPANTS, BUT ALSO BECAUSE IT ACHIEVES ITS AIMS AT AN EXTREMELY LOW COST TO THE FEDERAL GOVERNMENT. WE HAVE GRADUALLY REDUCED THE NATIONAL POUNDAGE QUOTA SINCE 1981 SO THAT NOW QUOTA SUPPLIES FOR DOMESTIC EDIBLE CONSUMPTION ARE BELOW DEMAND AND THE EXPORT PRICE IS MUCH HIGHER THAN THE ADDITIONAL LOAN RATE.

BY THE DESIGN OF CONGRESS, INCREASES IN THE QUOTA SUPPORT PRICE

ARE TIED TO THE COST OF PRODUCTION AND CANNOT EXCEED 6% PER YEAR, AND ADDITIONAL PEANUTS UNDER LOAN ARE DISPOSED OF AT NO COST TO THE COMMODITY CREDIT CORPORATION.

SINCE THE CREATION OF THE TWO-TIERED PRICE SUPPORT SYSTEM IN 1977, THE PEANUT PROGRAM HAS REDUCED ITS COST TO THE TAXPAYERS BY NEARLY 90%. THE PRESENT COST OF THE PROGRAM IS ALMOST NEGLIGIBLE. MOREOVER, DURING THE SAME PERIOD PEANUT EXPORTS HAVE EXPERIENCED A DRAMATIC INCREASE. THROUGHOUT, THE PROGRAM HAS EFFECTIVELY ACHIEVED ITS GOAL OF A STABLE, ABUNDANT SUPPLY OF DOMESTIC EDIBLE PEANUTS AT STABLE, LOW PRICES. FEW COMMODITY PROGRAMS CAN BOAST SUCH SUCCESS AND SUCH WIDESPREAD SUPPORT.

IN CONTRAST, IT HAS BEEN STATED MANY TIMES THAT THE ADMINISTRATION'S PROPOSED CHANGES IN THE PEANUT PROGRAM WOULD COST ABOUT $75 MILLION TO ESTABLISH--MORE THAN THE PRESENT PROGRAM WOULD COST OVER 15 YEARS.

FOR MORE THAN ANY OTHER REASON, THE PEANUT PROGRAM SHOULD BE MAINTAINED BECAUSE IT WORKS. THIS PROGRAM WAS FORMULATED TO CURB THE INCREASING AMOUNT OF MONEY THE FEDERAL GOVERNMENT WAS SPENDING ON PEANUTS BEFORE 1977. IT HAS DONE THAT TO THE EXTREME OF ALMOST COMPLETELY ELIMINATING ITS COST TO THE GOVERNMENT. THIS PROGRAM WAS DESIGNED TO OPEN PRODUCTION UP TO MORE FARMERS, WHICH IT HAS ACCOMPLISHED THROUGH THE TERMINATION OF THE ACREAGE ALLOTMENT SYSTEM AND ITS PROVISION FOR THE PRODUCTION OF ADDITIONAL PEANUTS FOR CRUSHING AND EXPORT. MANY PRODUCERS NOW RECOMMEND AN INCREASE IN THE NATIONAL POUNDAGE QUOTA WHICH WOULD PROVIDE OPPORTUNITIES FOR MORE FARMERS TO PARTICIPATE IN QUOTA PRODUCTION.

THE CURRENT PEANUT PROGRAM IS A FINE EXAMPLE OF SUCCESSFUL SUPPLY MANAGEMENT, AND ONE OF WHICH ITS AUTHORS IN CONGRESS SHOULD BE PROUD. I WILL BE WORKING HARD DURING THIS CONRESS TO REDUCE GOVERNMENT SPENDING, AND I WILL FULLY SUPPORT APPROPRIATE EFFORTS OF MY COLLEAGUES TO DO SO. CERTAINLY THERE ARE VAST AREAS OF OUR RESPONSIBILITY IN NEED OF TRIMMING, REORGANIZATION OR ELIMINATION, BUT I SEE NO REASON TO TAMPER WITH SUCCESS. HAVING COMPARED THE ACHIEVEMENTS OF THE PEANUT PROGRAM TO OUR OTHER COMMODITY PROGRAMS, IT IS CLEAR TO ME THAT THE DISCONTINUATION OR REPLACEMENT OF THIS PROGRAM WOULD BE DETRIMENTAL TO BOTH OUR FARMERS AND OUR TAXPAYERS, AND I URGE THAT ITS PRESENT STRUCTURE BE MAINTAINED WITH THE IMPROVEMENTS THAT THE SUBCOMMITTEE DEEMS NECESSARY.

THANK YOU.

Department of Agriculture
AGRICULTURE BUILDING CAPITOL SQUARE
ATLANTA, GEORGIA 30334

Testimony of Georgia Commissioner of Agriculture Tommy Irvin before the United States House of Representatives Committee on Agriculture, Subcommittee on Tobacco and Peanuts, April 2, 1985. To be submitted for the record.

Chairman Rose and other Distinguished Committee Members:

I am very pleased to have this opportunity to testify on behalf of the State of Georgia, Governor Joe Frank Harris and Georgia peanut farmers, as the peanut program is of vital importance to our state. Georgia provides nearly half this nation's peanut crop, and peanuts rank as our number one cash crop.

In fact, Georgia's peanut crop last year almost rewrote the record book by establishing three new state highs. They were highest yield, at 3,400 pounds per acre; largest production, at 2.16 billion pounds; and, greatest value, at 521 million dollars.

I mention these figures to help point out that this commodity and the federal peanut program are of very significant importance to our state.

I have long been an advocate of the peanut program because I believe it is one of the few federal commodity programs that has worked, and worked well. It is cost effective. It has assured an adequate domestic supply of peanuts at a reasonable cost. It has been flexible enough to allow sufficient peanuts to supply export demands. And, the peanut program has allowed good managers to make a fair profit on their product -- a right that should be afforded all good farm managers.

In fact, I think this program works well enough that I have recommended that other farm commodity programs be modeled after the peanut program.

When the two-tier pricing system for peanuts was first suggested, it was not well understood. But I believe time has proven this program to be one of the most successful and cost effective of all the federal commodity programs. Why is the Administration trying to fix it when it's not broken?

I understand that manufacturers who use peanuts have a stake in what happens with this program, but frankly I am appalled that it has drawn opposition from the utilizers of peanuts. Manufacturers should support this program because it assures an adequate supply of peanuts, at a reasonable cost, allowing manufacturers an orderly production flow for their products.

I have little sympathy for a manufacturer who wants to see the program abolished because it would offset packaging costs. It is a well known fact that the farm producer gets very little of the retail cost for a food product. The bulk of the price goes directly to the manufacturer.

In summary, I strongly urge you to let this program stand, with one small change. I recommend a modest increase in quotas in order to make them sufficient to meet domestic demand of 1.3 million tons.

STATEMENT OF
WILLIAM C. WAMPLER, PRESIDENT
AMERICAN PEANUT PRODUCT MANUFACTURERS, INC.

BEFORE THE
SUBCOMMITTEE ON TOBACCO AND PEANUTS
of the
COMMITTEE ON AGRICULTURE
U.S. HOUSE OF REPRESENTATIVES
April 2, 1985

I welcome this opportunity to appear before you today representing the American Peanut Product Manufacturers, Inc. (APPMI). I serve as president of this association, which was formed in 1983 to represent businesses directly engaged in the commercial manufacture of human food prepared from or with peanuts in the United States. APPMI member companies represent over half the peanuts purchased for domestic use in the manufacture of peanut butter, roasted/salted peanuts, peanut candy and other peanut products. Copies of our brochure have been provided for each member of the subcommittee, and a list of association members is included in this information.

While the APPMI has not endorsed any of the several farm bills introduced to date, the association does support the enactment of peanut program language in the farm bill that would provide for a truly market-oriented peanut program. A market-oriented program, one that does not restrict production for domestic edible use and one that lets the market place set the price of the raw commodity, will support efficiency of production, provide reasonable returns to growers, foster greater consumption of peanuts and peanut products and save the American consumer millions of dollars. A peanut program that achieves this goal, whether immediately or within a reasonable length of time to allow for necessary adjustments to the change, will offer greater opportunity for all segments of the domestic peanut industry -- growers, shellers and manufacturers -- and will provide greater equity for the consumer. Additionally, under a peanut program that achieves this goal our competitive situation in world markets could improve even more.

A market-oriented peanut program will provide equity for growers by allowing anyone to grow peanuts for the domestic edible market. It will provide equity for the American consumer by ending the inflated government guaranteed price of domestic edible peanuts which is now subsidized by the consumer.

Accompanying me today is Dr. Merrill Bateman who prepared the comprehensive study of the entire peanut industry titled "The U. S. Peanut Industry, the World Market and U. S. Legislation". Dr. Bateman is president of MJB Consultants, Inc. in Utah and he is former dean of the School of Management, Brigham Young University. He has worked as an agricultural economist specializing in commodity forecasting for 20 years. Dr. Bateman . . .

THE U.S. PEANUT INDUSTRY
AND
U.S. PEANUT LEGISLATION

prepared by
MJB Consultants, Inc.
Merrill J. Bateman, President

The current quota-based peanut program with its high price supports has resulted in a supply-constrained peanut market leading to:

1. U.S. peanut product prices at least 10 percent above those which would prevail under free market conditions.

2. Profit margins for the average quota holder 44 to 73 percent above current production costs and 76 to 93 percent above costs in a free market. The quota and price support restrictions inflate growing costs by 3 to 4 cents per pound.

3. Net returns to the average quota holder 4-20 times greater than returns available to growers of the next-best alternative crops.

4. A subsidy of approximately $250,000 annually to 12 or more quota holders.

Each of the points noted above are briefly explained and supported in the following paragraphs.

Hidden Tax on Consumers

Statistical analysis indicates that peanut product prices (peanut butter, salted nuts and peanut candy) are responsive to changes in raw peanut prices -- both up and down.[1] Because the current quota and price support program for peanut production increases the price of raw peanuts from a free-market level of 18-19 cents per pound to 28 cents, the prices of peanut products are also inflated by at least 10 percent.

For example, a one pound jar of peanut butter, retailing for about $1.30, contains almost one pound of shelled peanuts or about 1.47 pounds of farmer stock peanuts. At the current support level of 28 cents/lb., the cost of the raw peanuts in this one pound jar of peanut butter is 41 cents. At a free-market price of 19 cents per pound for farmer stock peanuts, the price of the raw peanuts in the jar of peanut butter would be 28 cents -- 13 cents lower. The statistical analysis of peanut butter and raw peanut prices indicates that the peanut butter price would fall by at least an equal amount - 13 cents - or 10 percent. The other major peanut product categories show similar statistical patterns leading to the conclusion that the American consumer is paying a hidden tax of 10 percent on all peanut products as a result of the higher support prices associated with the peanut program.

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[1] See Bateman, Merrill J. and Oveson, Richard [illegible]., "The U.S. Peanut Industry, the World Market and U.S. Legislation," October, 1984, pp. A1-2 - A1-4.

Production Costs and Profit Margins

Table 1 summarizes average U.S. costs of peanut production as reported by the USDA for 1983. Total economic costs rather than cash expenses have been used to determine production costs because it allows comparisons across commodities and does not include the distortions of varying debt levels. According to the USDA:

> "Total economic costs and returns can be used to compare various commodities without regard for equity levels or tenure of producers. For example, the cash expenses of two farm operators producing corn may be completely different because of differing levels of debt, even when identical practices and technology on similar land are used."[2]

Total economic costs cover all variable and fixed costs, including capital replacement costs, plus returns to capital, land and labor. A price covering total economic costs is sufficient to keep an enterprise in business over the long run.

Table 1 indicates that U.S. total economic costs of producing peanuts averaged $.1905 in 1983 (if USDA trend yields are used). A price-support level of $.2750 for quota peanuts in 1983 provided a 44 percent profit margin for the average producer. If land costs are excluded, the profit margin was 73 percent.

The $.1905 estimate overstates 1983 economic costs for two reasons. One reason is that land costs are inflated by the quota system which ties quota output to specific land parcels. The second factor is that quotas are not allocated on the basis of efficiency. Quota allocations are based on production patterns that existed in the 1940's and 1950's and "lock in" significant quantities of high-cost, low-yielding acreage and exclude a large quantity of efficient acreage. In Georgia, the quota rents

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[2] Economic Research Service, USDA, "Economic Indicators of the Farm Sector," ECIFS 3-1, July, 1984, p. 13.

Table 1
Peanut Production Costs and Profit Margins Given Current Program 1983

	$/acre	$/lb.	Profit Margins (Price Support = 27.5)
Total Economic Costs*	513.32	.1905	44%
(excluding land)	429.46	.1594	73%

* Total economic costs include all fixed and variable costs, including capital replacement costs, plus returns to capital, land and labor. A price which covers total economic costs is sufficient to keep an enterprise in business over the long run.

Source: USDA, "Economic Indicators of the Farm Sector, Costs of Production, 1983," ECIFS 3-1, Economic Research Service, July, 1984.

Table 2
Peanut Production Costs and Profit Margins in a Free Market 1983

	$/acre	$/lb.	Profit Margins (Price Support = 27.5)
Total Economic Costs*	420.42	.1560	76%
(Excluding land)	383.30	.1422	93%

* Land costs included in free-market total economic costs have been assigned the value of the land rent for the next best alternative plus 20 percent. The lower land rent accounts for approximately 50 percent of the decline in costs and the remaining 50 percent is due to the realignment of growing areas from less efficient to more efficient acreage which would take place in a free market.

Source: USDA cost and yield data for each peanut-growing area has been analyzed to determine the production shifts.

for 6 cents per pound.[3] Quota land rents in the Southeast are 3 to 4 times non-quota land rents. Peanut land rents are more than twice the land rents associated with the next-best alternative crop in each of the peanut-growing regions.[4]

Table 2 presents the total economic costs that would occur in a free-market environment. Land costs have been assigned the value of the land rent for the next-best alternative crop in each peanut region plus 20 percent. This value also approximates the current rental value of non-quota irrigated and non-irrigated peanut land in Georgia. In addition, an analysis of production costs has been conducted for each geographical area in the absence of quotas to determine the costs that would exist in a free market if 4.5-5.0 billion pounds of peanuts were produced.

Free-market economic costs would average $.1560 per pound (including land). In other words, free-market costs would be approximately 3.6-3.7 cents lower than costs in the current acreage restricted, high-price system. Consequently, the current price-support level is 76 percent above the total economic costs that would prevail in a free-market environment.

Comparison of Net Returns to Owned Inputs

Tables 3 and 4 and Charts 1 and 2 illustrate the differences between net returns to owned inputs available to peanut quota holders and to growers of the next-best alternative crops. Table 3 and Chart 1 show net returns to owned inputs for the nation, while Table 4 and Chart 2 show these same returns for the Southeast - a principal peanut growing region in the U.S. The net returns include the returns to capital, labor, and land plus the residual returns to management and risk.

Table 3 shows that net returns to peanut quota holders, on a national basis, are 4 to 10 times the net returns from competing crops. In the Southeast, the net returns to quota peanuts are 6-10 times the net return to soybeans -- the next best alternative in that region (see Chart 2 and Table 4).

Tables 5 and 5a illustrate the differences in net returns by presenting the prices for competing crops which provide equivalent returns to the $.275 peanut price support.

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[3] Economic Research Service, USDA, "Peanuts, Background for 1985 Farm Legislation," AIB No. 469, p. 16.

[4] USDA, "Economic Indicators of the Farm Sector," ECIFS 3-1, (a comparison of land rents in the Southeast, Virginia-North Carolina, and Southern Plains).

TABLE 3

U.S. NET RETURNS TO OWNED INPUTS
FOR PEANUTS AND ALTERNATIVE CROPS

NATIONAL AVERAGES
($/Acre)

1975 - 1983

	1975	1976	1977	1978	1979	1980	1981	1982	1983a	1983n
Economic Costs										
Peanuts	236	246	305	322	348	374	406	376	401	401
Corn	124	131	137	137	159	185	284	211	296	296
Cotton	187	218	224	222	262	279	294	319	308	308
Sorghum	76	80	82	82	98	103	123	128	128	128
Soybeans	71	72	81	86	98	108	114	115	115	115
Wheat (HRW)	57	56	55	57	68	80	88	94	93	93
Farmer Prices										
Peanuts ($/lb.)	.197	.207	.215	.210	.218	.247	.275	.275	.275	.275
Corn ($/bu)	2.54	2.15	2.02	2.25	2.52	3.10	2.38	2.14	3.21	2.75
Cotton ($/lb)	.51	.64	.52	.58	.63	.75	.55	.58	.66	.65
Sorghum ($/bu)	2.36	2.03	1.82	2.01	2.34	3.04	2.25	2.10	2.85	2.50
Soybeans ($/bu)	4.92	6.81	5.88	6.66	6.28	7.72	6.05	5.13	7.96	6.50
Wheat (HRW)	3.37	2.59	2.45	3.04	3.83	3.55	3.70	3.41	3.48	3.60
Yields Per Acre										
Peanuts (lb)	2533.0	2445.0	2431.0	2602.0	2587.0	1526.4	2547.6	2545.2	2336.5	2500.0
Corn (bu)	85.7	87.1	88.0	100.5	103.6	90.1	103.3	114.7	82.5	103.0
Cotton (lb)	416.0	435.0	525.0	370.0	542.4	367.2	523.9	551.0	465.5	510.0
Sorghum ($/bu)	45.8	46.0	54.1	53.2	61.4	43.2	62.0	57.9	45.9	62.0
Soybeans (bu)	28.3	25.2	30.2	29.2	31.9	25.9	29.7	31.5	25.2	31.0
Wheat (HRW), (bu)	26.2	24.3	25.2	27.1	32.4	29.7	26.2	29.6	37.0	32.0
Net Returns to Owned Inputs										
Peanuts	264	260	218	224	195	3	322	331	242	314
Corn	94	56	42	87	117	94	56	34	53	94
Cotton	26	60	37	5	53	-4	-7	1	-1	24
Sorghum	32	14	16	25	46	22	19	-6	3	22
Soybeans	68	100	97	108	102	92	66	47	86	87
Wheat (HRW)	31	7	7	25	56	25	9	11	33	22
Government Payments per planted acre										
Corn	2	2	1	9	4	4	2	6	13	
Sorghum	2	2	1	9	4	4	2	6	13	
Cotton	15	9	6	9	13	12	16	71	81	
Wheat (HRW)	1	2	12	15	2	3	7	7	11	

(1) The data for 1975-1979 taken from "Cost of Producing Crops, Livestock, and Milk in the United States — 1975-81," February, 1983, ERS, USDA; the 1980-1983 data sources are "Economic Indicators of the Farm Sector," ECIFS 2-2, 2-3, 3-1, published December, 1983 and July, 1984, ERS, USDA.

CHART 1

U. S. NET RETURNS TO OWNED INPUTS PEANUTS AND ALTERNATIVE CROPS 1975 — 1983

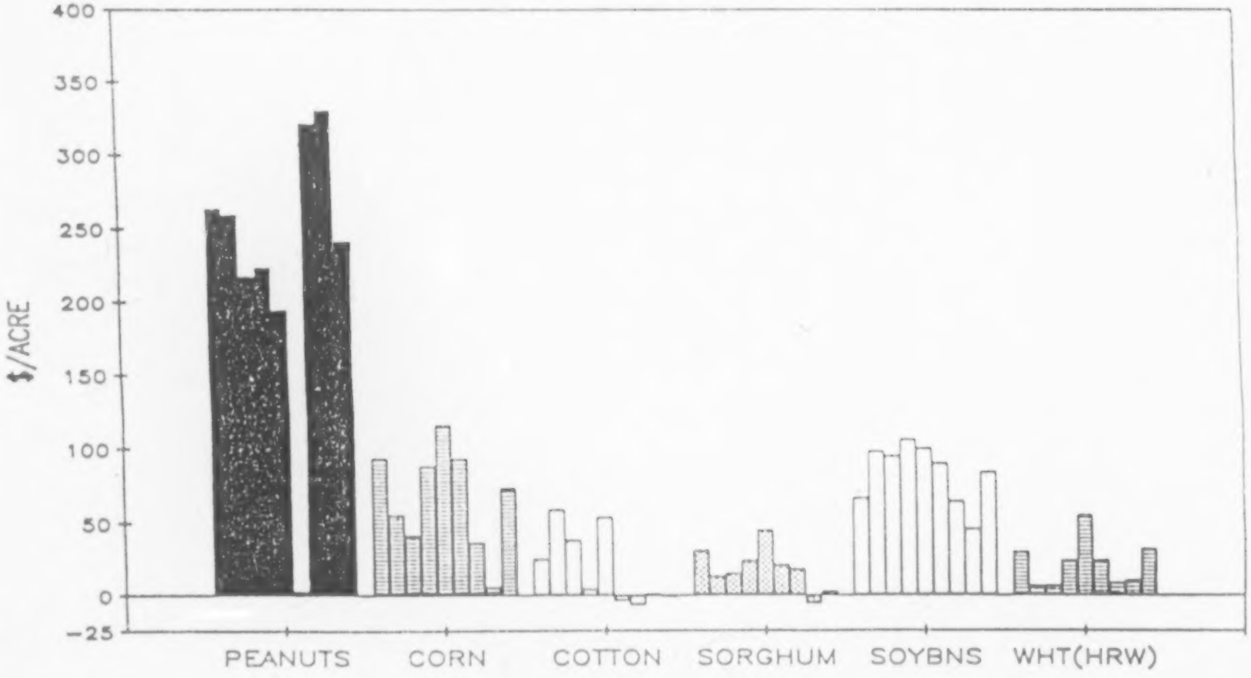

TABLE 4
PRODUCTION COSTS FOR PEANUTS AND ALTERNATE CROPS
SOUTHEAST

1975 - 1983

	1975	1976	1977	1978	1979	1980	1981	1982	1983a	1983n
Economic Costs										
Peanuts	257	282	350	361	386	407	426	419	419	419
Soybeans	86	82	95	101	107	116	110	119	119	119
Cotton	231	237	228	294	329	356	335	376	351	351
Farmer Prices ($/lb., $/bu.)										
Peanuts (Support)	.197	.207	.215	.210	.210	.251	.269	.275	.275	.275
Soybeans	4.65	6.44	6.16	6.39	6.32	8.02	6.11	5.32	7.79	6.58
Cotton	.55	.69	.49	.60	.65	.79	.57	.58	.67	.65
Yields Per Acre										
Peanuts (lbs.)	3057	2784	2817	3050	3095	1760	2846	3101	2656	3000
Soybeans (bu.)	23.2	21.5	21.6	22.3	26.0	15.1	22.8	25.4	17.4	25.0
Cotton (lbs.)	375.0	375.0	266.0	450.0	450.4	344.1	524.3	732.5	537.4	550.0
Net Returns to Owned Inputs										
Peanuts	346	294	256	290	264	35	340	434	311	406
Soybeans	22	56	38	42	57	5	21	16	17	44
Cotton	-24	20	-97	-23	-8	-85	-36	49	9	7
Government Payments per planted acre Cotton	15	9	6	9	13	12	15	71	81	

Source: See Table 1-2.

CHART 2

NET RETURNS TO OWNED INPUTS
SOUTH EAST U. S.
1975 – 1983

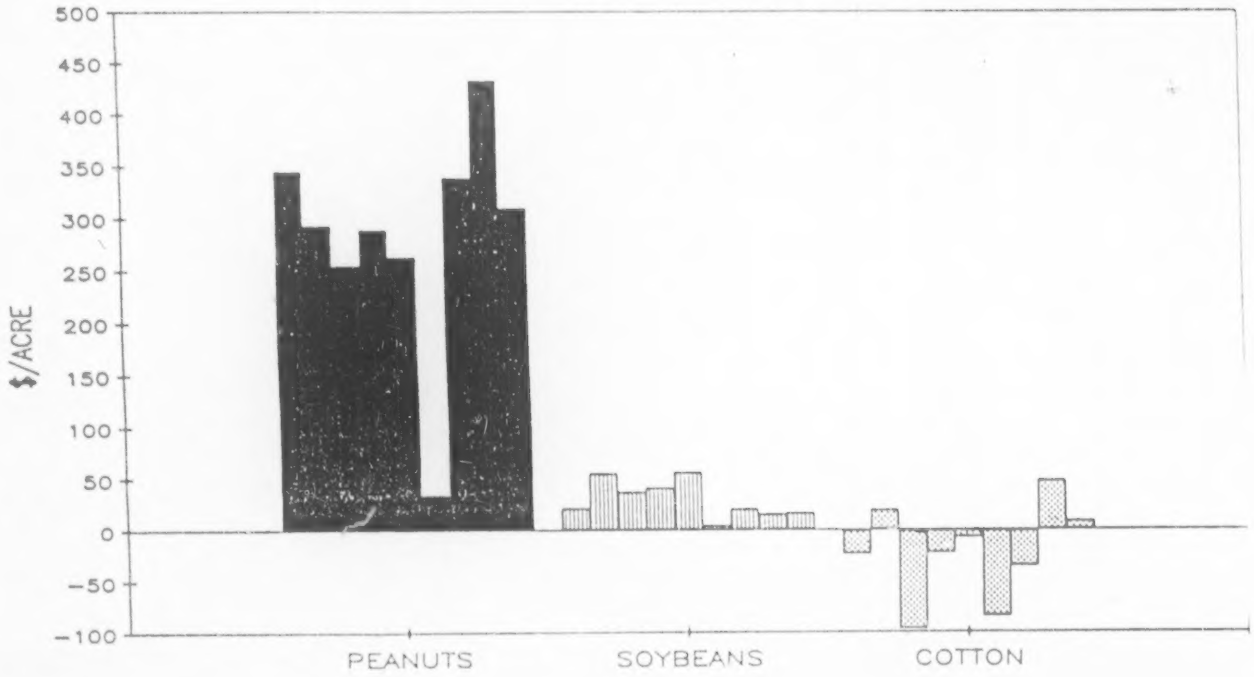

Table 5
EQUIVALENT CROP PRICES TO PEANUT SUPPORT LEVEL
1983/84 LOAN RATES

	National Basis 1983/4	Loan Rates 1983/4
Peanuts ($/lb.)	.275	.275
Corn ($/bu.)	4.77	2.65
Cotton ($/lb.)	1.22	.55
Sorghum ($/bu.)	7.37	2.52
Soybeans ($/bu.)	13.84	5.02
Wheat (HRW, $/bu.)	12.72	3.65

TABLE 5a
EQUIVALENT CROP PRICES TO PEANUT SUPPORT LEVEL
By Peanut Growing Regions
1983

	Southeast	Va.-N.C.	Southern Plains
Peanuts ($/lb.)	.275	.275	.275
Corn ($/bu.)	--	6.85	--
Cotton ($/lb.)	1.38*	1.38*	1.07
Sorghum ($/bu.)	--	--	5.40
Soybeans ($/bu.)	21.00	--	--
Wheat (HRW, $/bu.)	--	--	9.48

* Price differentials between Southern Plains and Southeast cotton indicate that the $1.07/lb. price in the Southern Plains is equivalent to $1.34 in the Southeast.

Tables 5 and 5a clearly illustrate the extraordinary returns provided the peanut quota holder. On a national basis, equivalent price supports for corn and wheat would be $4.77 and $12.72 per bushel, respectively. Soybean prices near $14.00 per bushel would also generate similar returns.

Quota Benefits

Who receives the benefits of the quotas? According to the 1982 Census of Agriculture, there were 12 farms which harvested over 1000 acres of peanuts in 1982. These 12 farms produced 38 million pounds of peanuts. Assuming a free market price of 18-19 cents/lb., the difference between the free market price and the quota price support is 9 cents per pound. Nine cents times 38 million pounds divided by the 12 farms equals $285,000 per farm. Since not all peanuts grown are quota peanuts, a conservative estimate of the "subsidy" to these large farms is about $250,000. It should be noted that the trend during the past few years has been to larger farms as smaller quota holdings have been absorbed into larger operations. The number of farms receiving subsidies in excess of $250,000 may well be greater than 12 in 1985.

Recommendation for 1985 Peanut Legislation

The report entitled "The U.S. Peanut Industry, the World Market and U.S. Legislation" examines three alternative approaches for the 1985 peanut legislation. The first is a return to a free market, the second approach is a continuation of the current program, and the third approach is a phase-out of the quotas and price supports over a three-year period.

The phase-out gradually adjusts quota poundage and prices to move the peanut industry toward a free-market equilibrium by 1989. In the phase-out approach, it is recommended that the law be changed to allow quotas to be sold interstate. This allows the quota holders with high-cost, low-yielding land to sell their quotas to the highest bidders during the early stages of the phase-out.

The analysis concludes that the U.S. Government should seriously consider phasing-out the quota-price support system. The advantages of the phase-out are:

(1) U.S. production will increase from 3.7 billion pounds in 1985 to 4.7 billion by 1990. In contrast, production will stagnate at 4 billion pounds if a quota-price support program is maintained and price adjustments are similar to past history.

(2) U.S. consumption will increase at a 3 to 4 percent pace in contrast to a growth rate of 1 percent which merely accomodates population growth.

(3) Peanut farmer revenues will increase above current levels as the increase in production and consumption more than offset the price decline.

(4) Although profit margins will drop to a more reasonable range of 10 to 20 percent, peanut farming in a free market will still compete favorably with alternative crops in the main growing regions.

(5) Peanut export volumes and earnings will rise in a free market compared with the current program because production costs will drop by 3 to 4 cents per pound.

(6) Consumer expenditures in a phase-out program will remain near $700 million over the next few years. In contrast, an extension of the current program with its historical price increases will raise U.S. consumer outlays to $1 billion -- a $300 million rise.

The conclusions derived from the analysis strongly support a return to a free-market scenario with the phase-out providing the peanut farming community with the time required to make the necessary adjustments.

STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION BEFORE THE SUBCOMMITTEE ON TOBACCO AND PEANUTS OF THE HOUSE COMMITTEE ON AGRICULTURE WITH REGARD TO FARM PROGRAMS FOR PEANUTS UNDER THE 1985 FARM BILL

Presented by

Robert L. Nash, President, Georgia Farm Bureau Federation
and Member, AFBF Board of Directors

April 2, 1985

The American Farm Bureau Federation is the nation's largest general farm organization with a membership exceeding three million member families in 48 states and Puerto Rico. I serve as President of the Georgia Farm Bureau Federation and as a member of the Board of Directors of the American Farm Bureau Federation. I appreciate the opportunity to appear before the House Agriculture Subcommittee on Tobacco and Peanuts regarding Farm Bureau's position on farm programs for peanuts and our proposals for legislative changes under the 1985 Farm Bill.

Farm Bureau policy is debated, amended and revised by voting delegates from each of our member states. At our 66th Annual Meeting in January, our delegates adopted policies regarding farm programs in general and policies specific to peanut programs. Our general farm program policy on peanuts states:

"We support continuation of the present peanut program. The peanut program should be effectively administered. We support the efforts of growers and USDA to develop expanded export markets for peanuts."

The peanut policy that I have referred to fits within the broad framework of Farm Bureau's policy objectives. These objectives include improving net farm income, allowing producers to take maximum advantage of market opportunites at home and abroad and limiting government expenditures.

The policy that would best offer prosperity to U.S. agriculture would be a commitment to fiscal responsibility and reducing overall federal spending in order to get interest rates down, currency exchange rates in line and exports back into the world market. We therefore continue to support a freeze on government spending at 1985 levels.

The American Farm Bureau Federation believes that the present peanut program has served the interests of U.S. peanut producers and the industry as a whole. The current peanut program has resulted in stable markets for peanut producers, a reasonably healthy supply/demand relationship and continued strength of U.S. peanut exports in world markets. U.S. consumers are assured of high quality edible peanuts. These accomplishments have been achieved at little government cost since this program was put into effect in 1981.

Annual costs recently have been around $5 million. Compared to the sharp cost increases of other commodity programs that have not been nearly as effective in assisting the industry, these costs are negligible.

Our peanut producers have recommended certain changes to the current peanut program under the 1985 Farm Bill.

(1) QUOTA PEANUT SUPPORT PRICE: We recommend that the minimum support price for quota peanuts in 1986 be maintained at $559 per ton. We believe that the current method of determining the quota support price based upon cost of production estimates should be revised. We propose that the support rate for quota peanuts be modified to reflect the average percentage change in the Index of Prices Paid by Farmers for Production Items, Interest, Taxes and Wage Rates for the previous year compared to the year earlier.

(2) NATIONAL POUNDAGE QUOTA: We also believe that the national poundage quota should be established at the level of the previous three-year average of domestic edible and seed use. In order to avoid abrupt changes in the poundage quota, the annual change in that level should be limited to 5 percent per year if supply and demand projections justify such a modification.

These changes will revise the program so that it operates in accordance with market signals related to demand and producer costs. Some of the discretion to manipulate the support mechanisms is thereby eliminated from the peanut program. The program would be greatly improved by adopting these revisions.

Other than these changes, we strongly support retention of the current peanut program. The industry has operated efficiently under this type of program, and we therefore believe that it should continue to serve the needs of producers, consumers and export customers.

We believe that all of agriculture will be better served by increased efforts in the area of export trade expansion. Agriculture must maintain competitiveness in world markets in order to sustain its viability. The proposal developed by the American Farm Bureau Federation includes a greatly expanded trade section. Included in these efforts would be funding for the CCC Export Credit Revolving Fund, intermediate credit programs, increased PL 480 funding and a bonus export program. Through these efforts, peanut producers and all of agriculture will realize improved commodity prices, and net farm income will be increased.

Mr. Chairman, I thank you for the opportunity to present American Farm Bureau's position to the Tobacco and Peanut Subcommittee today. Farm Burea will work closely with the House Agriculture Committee in developing a sound and fiscally responsible farm bill. I would be happy to respond to any questions.

POSITION OF THE NATIONAL PEANUT GROWERS GROUP ON PEANUT SECTION OF THE 1985 FARM ACT

Mr. Chairman and members of the Committee I am James Earl Mobley, Chairman of the Steering Committee of the National Peanut Growers Group, a federation whose membership includes all state and regional peanut grower organizations in the nation. With me are the other officers of the National Peanut Growers Group, Ross Wilson of Texas and Russell Schools of Virginia.

We appear here today in support of a truly market oriented program which has succeeded in both the domestic and export market. Mr. Chairman, peanut farmers have accepted major program modifications over the last seven years that have reduced program costs by 90 percent.

The record will show that the National Peanut Growers Group worked closely with this Committee and the Congress in the enactment of both the 1977 and 1981 peanut program amendments. We wish to emphasize that in both these amendments we had no intent of shifting to transitional programs, but rather specific issues within the program were addressed and, as you know, were successfully resolved. In 1977 the principal issue was program cost which was reduced by establishing farm poundage quotas and no longer linking parity and price supports. In 1981 the issue of the "right to grow" was successfully addressed by suspending acreage allotments. As a result, 1984 fiscal year program costs were only one million dollars and anyone can grow and market peanuts.

It is important that you understand that a large percentage of growers having no farm quota are doing well through marketing opportunities afforded in the 1981 law in both the export and domestic edible markets. Such new growers may contract directly with handlers to export their production or they may participate in domestic channels by marketing their peanuts through the grower Association pools. These

Testimony presented by James E. Mobley, Chairman, National Peanut Growers Group Steering Committee, Hearing of House Agriculture Subcommittee on Tobacco and Peanuts, April 2, 1985 producers, in many instances, are receiving returns near the quota support price, although payments from the Association pools are delayed to permit complete marketing of loan peanuts and final accounting and record keeping procedures. The point is, however, that marketing opportunities provided in the 1981 law for those growers are proving to be workable and profitable.

Although the national quota poundage has been reduced some 50 percent under program amendments of 1977 and 1981, the remaining quota has enabled us to retain assurance of market stability and supply. Such assurance is essential in the marketing of a non-fungible, perishable commodity. It has enabled peanut farmers and consumers to avoid "boom and bust" agriculture.

TARGET PRICE PLAN A DISASTER FOR PEANUTS

Mr. Chairman, the Administration has proposed a dramatic change in the peanut program. They call it a target price concept.

It is not! It is a quick, one year elimination of the current successful program.

The Administration's proposal, if enacted, would cost about $70 million dollars during the 1986 crop year alone.

Growers are appalled by what the effect of a target price plan would be. The target price approach either would reduce net farm income disastrously or would require payments so large that program costs would be unacceptable to the Congress and the taxpayers. We are even more appalled at the effects of the Administration's proposal for peanuts with a rapid transition to a program completely void of marketing order and price stability.

Those who propose such changes for peanuts assume, erroneously, that program administrative processes suitable for grains and cotton are suitable for peanuts. There are two major distinguishing factors. First, peanuts are produced for two distinct markets where they have widely different competitive values. Peanuts used for food compete, as roasted and salted nuts, against pecans, cashews, almonds, walnuts and other nuts all of which sell at much higher prices than peanuts. Peanut butter competes with meats, cheeses and other items and is a relatively low priced, excellent food. Peanuts crushed for oil and meal enter a market that includes the whole world complex of oilseeds, fats and oils and protein meals - vegetable, animal and marine. The entire U. S. peanut crop, if moved into this market, would be only about one percent of the total. The value of U. S. peanuts in this market is far below their value for domestic food use. The wide disparity of values which exist in many years in the two markets makes program cost under the target price approach very high for peanuts if net farm value of peanuts is to be maintained at reasonable levels.

Second, peanuts are not a fungible commodity. The commercial trade does not provide warehouses and elevators where the individual farmer can store his peanuts and obtain a warehouse receipt on which he can obtain a bank loan and against which he can subsequently sell a stated grade and quantity of peanuts. These services are not provided because of the nature of the commodity. Peanut marketing in any practical sense involves the dumping of hundreds and even thousands of farm trailer loads of peanuts into a single storage bin. There is no feasible way of storing peanuts belonging to an individual farmer separately. Each lot of peanuts, when delivered by the farmer, is a mixture of quality factors. Grading is difficult. Peanuts cannot be carried satisfactorily from one crop year to another. They deteriorate in storage - - in varying proportions from warehouse to warehouse, from one area to another and from one year to another. Before moving into food use they require milling with separation into various grades and qualities.

For peanuts, unlike cotton and the grains, the farmer needs assistance in obtaining inspection, storage and financing until the peanuts can be sold in an orderly manner. This entails "mixing" or "pooling" of peanuts from many farms.

The farmer also needs assistance in the marketing of his peanuts as he generally cannot store and later obtain delivery of his peanuts for sale from the storage warehouse.

With price support loans and related operations, the farmer has an effective means of obtaining the value of his peanuts in the primary food market and a means for moving any production above food requirements into the secondary crushing and export market in an orderly manner. Production above domestic food requirements moves freely and completely each year at its value for crushing and export. Exports for food use are increasing and are bringing prices above those for crushing.

A target price approach would afford no means for the orderly movement of peanuts into these two distinct markets. It would result in disorderly marketing with prices at minimum rather than maximum levels relative to the value of the commodity.

More specifically with respect to the Administration's peanut proposal, that plan would be a disaster for our industry. The USDA in data accompanying its peanut proposal projects season average prices that exceed the target price for all years after 1986. But with no effective price support those season average price estimates likely will be far from accurate. As previously expressed, peanuts move in two separate and widely differing price markets - - edible and oil. In a surplus situation the price will seek the lower oil market value. In that situation many producers forced to accept low market prices will be eliminated. Financing will be difficult for most producers due to the high cost of producing peanuts and the absence of market and price stability essential in a peanut program.

Some believe in the absence of the present program that the trade would be forced to assure supplies through contracting with producers. To see the fallacy of that approach one has only to look at the experience of the contracting of "additional" peanuts in 1984. As a result of contract prices favorable to growers, substantial overplanting occurred and with excellent growing conditions a troublesome surplus of peanuts resulted that has and will continue to depress market prices of both farmers stock and shelled peanuts. A result of the 1984 experience will be a sharp decline in the production of "additional" peanuts in 1985. Without the stability in the quota phase of the current program, we would experience a very real illustration of the "boom and bust" supply cycle and all that goes with it including high program cost, followed by a short supply with sharply escalating prices for consumer products. In 1980 under a very tight supply situation that resulted from a belt-wide drought we saw prices of farmer stock peanuts vary from oil value to $1,600 per ton. Under the Administration's proposal that kind of situation would be the rule rather than the exception.

Marketing quotas are an integral part of the peanut program for the following reasons:

(1) Peanut quotas assure a stable supply of peanuts to consumers. Peanut quotas are the extra dimension needed to maintain market stability for a perishable commodity. Without the stability in the present program and because peanuts cannot be carried beyond a few months outside of cold storage, the price would fluctuate from oil value to $1,600 per ton as occurred in 1980, depending on supply at the farm level

(2) Peanut quotas make for market predictability which enhances financing for production and processing of the crop

(3) Peanut quotas are one of the few effective tools that can be used to control program costs. Quotas have been largely responsible in reducing the cost of the peanut program to a negligible level

(4) The peanut quota system serves as the base of our present very effective quality control program and

(5) Peanut quotas result in higher farm prices, but not necessarily higher retail product prices. Recent studies have shown that a number of other factors influence retail peanut product price to a greater degree than the farm cost of peanuts.

Since the framework of the present program provides an effective vehicle by which the grower can best market his peanuts, provides a means by which supply and demand can be controlled, provides flexibility for production of peanuts for export markets for the more efficient growers and provides a reasonable basis for financing the production and processing of the crop, we see only major disadvantages to any switch from the present program concept to an open end, low support concept.

RECOMMENDATIONS

The following items constitute our recommendations to modify Section VII of the Agriculture and Food Act of 1981 as we feel would be appropriate and essential in the Peanut Section of the 1985 Farm Bill.

Poundage Quota

The 1985 national poundage quota of 1.1 million tons is about 200,000 tons under the current domestic edible and seed use level. Our legislative recommendation calls for an increase of 18 percent in the quota for 1986. For subsequent years the Secretary would be required to increase the quota only if USDA estimates indicate increases in the domestic edible use of peanuts.

Our request is not expected to increase program cost since domestic edible demand of about 1.3 million tons will equal the poundage quota level. An added measure of safety is the provision that any "additional" peanuts purchased for domestic edible use must be purchased at the quota price. The amount of such sales price in excess of the "additional" loan rate is credited to the Association pool and utilized to the extent necessary to pay any losses in the quota loan pool.

We are proposing that the 200,000 tons of quota increase be allotted equally to eligible quota and non quota farms in 1986. Any increases that may occur in 1987, 1988 and 1989 would also be distributed equally to qualifying quota and non quota farms.

Further, the Secretary would be required to increase the quota for any year after 1986 for which the demand for domestic edible and seed use is estimated by the Department to exceed 1.3 million tons.

The poundage quota increase for 1986 from 1.1 million tons to 1.3 million tons and any further increases granted by the Secretary in subsequent years would be apportioned equally to eligible quota and non quota farms.

Production Required

We are proposing that the quota must be produced two out of each three year period unless prevented by natural disaster or other causes beyond the producer's control. Thus, the American Peanut Farmer, in return for the quota price support, must guarantee the consumer a constant supply.

Farm quota eliminated by failure to produce (and quotas voluntarily released) are to be apportioned to other farms, quota and non-quota,in the state.

Penalties Equalized

In the 1981 law penalties for grower violations of marketing provisions were established at 140 percent of the quota support level and penalties for handler violations were established at 120 percent of the quota support level. Our proposal would set the penalties for both handlers and growers at 140 percent of the quota support rate. We also have added language that prohibits lowering the handler penalty resulting from failure to export contracted additional peanuts. The penalty would also be extended to cover reentry of exported peanuts under rules to be prescribed by the Secretary.

Contracting Provisions Stipulated

There has been general concern by growers relative to the manner in which the contracting Section, 704 (j) of the 1981 law, has been interpreted. We believe there was no intent by Congress to permit contracting of additional peanuts under this section for purposes other than those stated in the law and we believe that all contracts executed under this section were intended to be firm at that point including the contract price. Further, we believe that Congress intended that all additional peanuts contracted under Section 704 (j) should be exported or crushed. Therefore, we have clarified the items in the contracting provision that were thought to be clear in the 1981 law. The items are:

(1) Final price must be stated when the contract is executed,

(2) Contracting under this Section for additional peanuts for domestic use other than crushing is not permitted, and

(3) The contracting deadline is moved from April 15 to August 1.

A later deadline for the contracting of "additional" peanuts was agreed to by growers in an effort to accommodate the wishes of peanut handlers who believe that a later contracting deadline will enhance opportunities for the marketing of such peanuts in export channels. Peanut producers continue to work hard in cooperation with handlers and USDA's Foreign Agricultural Service to build and expand export markets. We produce the highest quality peanuts in the world and we will continue to make every effort to enlarge upon our present position of the No. 1 supplier of edible peanuts in the world market.

Determination of Quota Support Rate

The provision for determination of the quota support rate has been modified to utilize a simple average of the immediately preceding 3 year market price for quota peanuts rather than basing the quota support rate on a determination of national average production cost.

With the shifting of the peanut program toward increased market orientation, establishment of the quota support rate by use of price received by growers for quota peanuts in the market appears to be more relevant than a support price determination based on production costs. In several of the past five years, market price for quota peanuts has exceeded the established quota support rate. Also, cost of production has been one of the most controversial parts of the program. There continues to be disagreement among USDA, State Extension personnel and growers on production cost levels. Market price is much easier to define and is a better barometer of the real value of the commodity.

SUMMARY

Mr. Chairman, the current peanut program works:

- boom and bust agriculture for peanut farmers has been avoided;
- most growers are able to receive a small profit at least on part of their peanut production;
- consumers are guaranteed a reliable supply of high quality wholesome peanuts at a reasonable and stable price;
- the United States is the leading exporter in the world of edible peanuts;
- government costs for the program are minimal, down 90% from the cost of the program during the 1970's.

Thank you.

STATEMENT OF C. WADE FERGUSON, FARMER AND BUSINESSMAN

Mr. Chairman, I am C. Wade Ferguson, a farmer and businessman from Emporia, Virginia. First, I would like to thank you for giving me the opportunity to come before you and express some problems and suggestions with the present peanut program.

I have been actively involved with the production of peanuts for almost 50 years and therefore, have some insight as to present and future problems associated with the present peanut program, as well as the problems of the peanut producer.

I would like to first indicate to you that the peanut farmer cannot continue to produce peanuts with the present minimum price support levels. I support my statement with the following figures and background information:

My Land-Grant College, Virginia Polytechnic Institute and State University, prepares crop budget guides on all crops each year. When referring back to crop budget guide for 1980, I find that total cash expenditures for the production of an acre of peanuts was indicated at $433.00. This does not include land, management, quota rental or overhead. This was what a farmer had to spend in cash to produce an acre of peanuts in 1980. As I review the crop budget guide prepared by that same University for 1985, I find that the total cash expenditures are projected to be $529 per acre or a 22% increase during this short period of time.

As we look at what the farmer received at the market place when he sold his peanuts, it has remained the same for the last three years at $550/ton. For the 1985 crop year, he will receive a $9 per ton increase in the basic support price. Therefore, one can readily see that over the last four years, farmers have had $96 per acre increase in the cost of production and cash expenditures, yet they are basically receiving the same price per pound at the marketplace today which they received four years ago.

Now, let's look at how the consumer "fared" during this same period of time. An individual purchasing a 12-ounce can of roasted cocktail peanuts in 1980 paid $1.59 for it. Today, that same 12-ounce can costs $2.29 or an increase to the consumer of 44%. The processing industry has, therefore, been able to pass along their respective increases in costs to the consumer. As one can see, this has been a rather "healthy" increase and maybe at the expense of the farmer with his locked-in price support level.

When asking the industry if they could sell a 12-ounce can of peanuts today for the same $1.59 price which they received five years ago, one would receive an emphatic no. They could not sell the product at that price and remain in business. This is what I am trying to impress upon all of you here today. The peanut farmer cannot stay in business unless he can receive a fair and just return for the peanuts which he produces.

Therefore, I have the following suggestions and/or recommendations:

1. I firmly believe that the peanut farmer must have some type of a supply management program for the production of peanuts.

2. In basics, I support the position of the National Peanut Growers Group on the Peanut Section of the 1985 Farm Act.

3. I firmly believe that the peanut producers in this nation of ours should receive a fair and just return on peanuts which they produce for domestic use.

4. Any peanut program should allow for the peanut farmer to recover his increase in production cost by increasing the minimum support levels by that amount each year.

5. The area type pool arrangements operated by the area growers association work well except in the length of time which the producers must wait for their pro-rata share of the pool. I recommend that some type of guidelines or policy be established whereby producers can receive a portion of their expected profits from the pool earlier than they have been received in the past three years.

In closing, I would like to say we must look seriously at the major problems facing the peanut producer and take whatever action necessary in order that we can have a stable peanut industry and progressive peanut farmers.

I sincerely appreciate the opportunity given to me today to express my views and suggestions to you.

Thank you.

STATEMENT BY THE HONORABLE DON FUQUA BEFORE THE SUBCOMMITTEE ON TOBACCO AND PEANUTS

Mr. Chairman, I appreciate the opportunity to appear before your Subcommittee today on behalf of the peanut program.

It has been noted that in 1984 nearly 4.3 billion pounds of peanuts were harvested, mainly in Virginia, North Carolina, Florida, Georgia, Alabama, Texas and Oklahoma. In Florida, my particular concern, the 'peanut belt' as it is called, stretches across 23 of the 67 counties. Although this area only represents less than 5% of the national production of peanuts, peanuts are still the number one cash row crop in Florida. In several of my counties, peanuts are the number one economic generator.

We have found that the peanut program does work and our farmers are happy with its effects. It has had a stabilizing influence on every state, county, community and family farm involved in peanut production. The peanut program has maintained farm prices at higher levels than would have prevailed without the program. Over the years, this program has provided a continuous supply of reasonably priced peanuts for the market while maintaining net returns to producers at satisfactory levels.

While there are areas that continue to concern my peanut producers, we are convinced that the program will continue to work well for the benefit of producers, consumers and for the government.

The 1977 and 1981 peanut programs were designed to reduce government costs, bring domestic supply of quota supported peanuts more in line with demand, and recognize the possibility of expanding exports. These programs helped move our producers toward increased market orientation and, at the same time, eased the transition for the peanut allotment holders and the communities which had become dependent on the old program. A reliable source of high-quality edible peanuts for domestic use and export was maintained.

The current peanut program is a two-priced poundage quota system authorized by the Agriculture and Food Act of 1981. The program continues modifications begun in 1977. The quantity of quota peanuts, eligible for the higher of the two price supports, is being reduced almost 3 percent annually for the period 1982-85. By 1985, the minimum quota will be 1.1 million tons, less than expected domestic demand. The difference will come from additionals, which can be bought back for domestic edible use at quota price levels.

Acreage allotments for peanuts were suspended in the 1981 Act; hence, peanut production is technically unrestricted. But additional peanuts are subject to marketing controls and they receive a lower support price. Additional peanuts must be contracted for export by April 15 or placed under the loan for additionals; the price support for these peanuts is based on the crush value for peanuts, that is, oil and meal prices.

Quota support prices are adjusted on the basis of cost of production, but any increase cannot exceed 6 percent annually. Growers are permitted to lease or purchase quota from quota holders as long as the quota remains within county boundaries.

Several issues will be debated in connection with legislation to succeed the 1981 Act that expires with the 1985 crop. If no new legislation is passed, the peanut program will revert to the provisions of permanent legislation. This would entail a return to the allotment system and parity-based price supports. Under current conditions, the immediate result would be surplus production and high costs for the government.

With the above facts and information in mind, Mr. Chairman, you can readily see why peanuts and the peanut program assume a magnitude of importance in the United States and why this particular program must be maintained for the benefit of us all.

Mr. Chairman, you and Congressman Hatcher paid me the honor of meeting with peanut growers from throughout Florida in a meeting in Tallahassee last year. I know the farmers in Florida appreciated your interest in their concerns and your willingness to listen.

Now the time has come for Congress to act. I support the efforts of this subcommittee to create and maintain a viable peanut program and pledge to work with you on behalf of peanut growers from throughout the United States.

STATEMENT OF WILBUR T. GAMBLE, INTERIM CHAIRMAN, GEORGIA AGRICULTURAL COMMODITY COMMISSION FOR PEANUTS, TO THE HOUSE SUBCOMMITTEE ON TOBACCO AND PEANUTS, WASHINGTON, D. C., April 2, 1985.

My name is Wilbur T. Gamble, a farmer and peanut producer from Terrell County, Georgia. I am testifying today in behalf of the Georgia Agricultural Commodity Commission for Peanuts which represents some 11,000 Georgia peanut farm families. I currently am interim chairman of the Commission.

As I am sure the Subcommittee is aware, Georgia is the nation's number one peanut-producing state, accounting for almost half of the U.S. production. The farm value of the crop in our state last year was $521 million, or about one-third of total farm value for all crops, making peanuts by far our most important cash crop. Peanuts are produced commercially in roughly one-half of our 159 counties.

Some economists say that every dollar of farm income turns over seven times in the economy. Given this multiplier effect, peanuts have an estimated $3.5 billion impact on the economy of Georgia. In many of our rural counties, the entire economy -- the life blood of our communities -- depends on peanuts. I have been the chairman of the board of commissioners of my county for a number of years, and I can personally testify that without peanuts as a viable crop we would be in economic ruin. Thus, you can readily see, Mr. Chairman and members of the Subcommittee, why peanuts are a vital part of the economy of Georgia -- reaching far beyond the producers and processors of this commodity.

For this very reason, we are deeply disturbed by -- and are unalterably opposed to -- the peanut proposal put forward as a part of the Administration's farm bill currently before the Agriculture Committees of the House and Senate. The proposal would abruptly terminate the current peanut program and destroy the system of peanut production as we know it today. The Administration's peanut proposal not only would be revolutionary -- as some have described it -- but would, in our opinion, be disastrous as well.

The Secretary of Agriculture has stated repeatedly that the Administration's new farm program would be phased in over a period of years to ease the adjustment on producers and the agricultural economy. In the case of peanuts, nothing could be further from the fact. The peanut title contained in H.R. 1420 and S. 501 would abolish outright the two-tier peanut program effective after this crop year. It would be replaced by an extremely low loan program and with no restrictions on production whatever.

For existing quota holders, there would be a five-year phase out whereby they would receive direct payments based on the difference between an "established" price and a three-year moving average of U.S. market prices. But when you plug in the Administration's own figures for the established price and the moving average market price, there would be a direct payment to quota holders only in the first year -- 1986 -- when the established price would be set at last year's quota support level. After 1986, the established price would be a declining percentage of the moving average market price, which, by the

Administration's own projections, would be above the established price. Thus, the direct payment after 1986 would be zero. That, we contend, is not a phase out. It is sudden death.

The Subcommittee might be interested to know that the projected, one-time cost to the government of the direct payment in 1986, again according to the Administration's own projections, would be $75 million. That compares to the less than $5 million annual cost of the current program. In other words, the cost to the taxpayers of replacing the present peanut program with the Administration's proposal would be greater than the total cost of the existing program over the next 15 years.

This does not take into account the impact that destruction of the existing program would have on a stable supply of peanut products at reasonable prices consumers have come to expect, or on the income of peanut producers which has permitted them to maintain a stable production base over the years. That stability, so greatly needed in other segments of the agricultural economy, would be placed in dire jeopardy under the Administration's proposal.

Contrary to some claims, we do not believe that destruction of the present program would result in any significant decrease in prices of peanut products to consumers. The farmer's share of the retail price of peanut butter is only about 37 per cent. Factors other than the farm cost of peanuts -- such as manufacturing and labor costs, packaging, advertising, profit margins, etc. -- have far greater influence on the retail price of peanut products, as they do on most food products -- bread for example. We doubt seriously that prices paid by consumers for peanut butter and other products would be reduced even if the farm price of peanuts were slashed to the bone as some would like. Indeed, we believe the consumer, along with the producer, would be a certain loser under the Administration's bill because the existing stable production pattern for peanuts would be replaced by an erratic, unpredictable, up-and-down supply cycle.

Mr. Chairman, our peanut producers strongly favor continuation of the existing two-tier peanut program that was first initiated in the Farm Act of 1977. We believe it is a proven approach to balance production with need while at the same time providing sufficient flexibility to meet market demands, both domestic and export.

Since consideration of the 1985 farm bill began, the Secretary has stated frequently that American farmers are unhappy with existing farm programs. He says this is what he learned through the "listening sessions" he conducted in different parts of the country last year.

Well, we peanut farmers do not think he listened very well to us. If he had, he would have heard from a number of our representatives who spoke at the sessions that peanut farmers across the belt like the current program. Indeed, this has been affirmed through a series of polls of producers conducted in several major peanut states. In Georgia, for example, 90 per cent of our growers said they want to see the program continued with some modifications.

The fact of the matter is the two-tier program works and has produced positive benefits for producers, consumers, and taxpayers. Here are some of those benefits:

1. Program costs have been dramatically reduced through production quotas on domestic consumption. Costs have been at the $5 million level or less for each crop year since the 1981 act was put in place. Since 1978, the first year under the two-tier system, through 1983, costs have aggregated less than $50 million, or one tenth of one per cent of the net CCC farm program expenditures for all commodities during that period.

2. Producers are assured a fair price for quota peanuts which in turn assures a stable production base.

3. An adequate supply of peanuts to domestic consumers at reasonable prices has continued in an orderly fashion except for the 1980 crop disaster.

4. Strict quality controls, which are built into the peanut program, have been maintained, thus assuring both domestic and export consumers the highest quality peanuts available in the world.

5. The two-tier system provides a vehicle for assuring a continuity of supply of peanuts for export, although it involves somewhat greater financial risks for growers and handlers. Although the U.S. is a distant third in world peanut production, we are the largest exporter of peanuts for food purposes.

6. Objections to high quota leases have been satisfied to a large degree by severe restrictions placed on quota leasing.

7. Unlimited production by any farmer is now permitted because of the suspension of acreage allotments, and non-quota holders are now producing peanuts in increasing numbers and quantity.

While favoring a continuation of the existing peanut program in general, the Georgia Peanut Commission recommends and requests that the Congress modify some specific provisions of the present law. The recommended changes are discussed in detail in the formal statement presented by the National Peanut Growers Group of which the Georgia Peanut Commission is a member. But I would like to emphasize the following:

1. Increase the national poundage from 1.1 million tons, in effect for this crop year, to 1.3 million in 1986, which is in line with anticipated domestic consumption and related uses. The Secretary should be required to increase the national poundage quotas in subsequent years to meet domestic need above 1.3 million, plus a reasonable reserve.

2. Adjust the quota support level. During the life of the 1981 act, the quota support loan level has increased by less than half a cent above the current level of 27.5 per pound. We believe growers are entitled to a reasonable increase in the minimum support rate effective with the 1986 and subsequent crops.

3. Make technical changes to assure that additional (non-quota) peanuts grown and contracted for the export market are not diverted into the domestic market in competition with quota peanuts and otherwise to improve the administration and operation of the program.

Mr. Chairman, in summary, we want to emphasize again that the current program works. We can find absolutely no justification, especially at a time of severe economic stress in American agriculture, for throwing out a sound, workable, minimal-cost program for a $75 million hoax upon consumers, producers, and taxpayers alike.

Thank you for the opportunity of testifying before you today.

STATEMENT BY LARRY J. PRYOR
IN BEHALF OF
THE PEANUT BUTTER AND NUT PROCESSORS ASSOCIATION
BEFORE THE
SUBCOMMITTEE ON TOBACCO AND PEANUTS
HOUSE COMMITTEE ON AGRICULTURE
REGARDING AGRICULTURAL LEGISLATION
APRIL 2, 1985

Mr. Chairman, I am Larry Pryor, Director of Purchasing of Lance Incorporated based in Charlotte, North Carolina, which is where our headquarters plant is located. We also have manufacturing operations in Greenville and Arlington, Texas. Our Company processes a wide range of snack food products including peanut butter cracker sandwiches, packaged peanuts and packaged tree nuts.

This appearance is entered in behalf of the Peanut Butter and Nut Processors Association of which I am the President with the Association headquarters in Potomac, Maryland. The function of this Association is to represent processors and packers in various forms of peanuts and the several tree nuts.

This appearance involves solely the peanut poundage quota allotment and price support program. Although our members use the various tree nuts some of which do have U.S. Department of Agriculture programs, they are programs with which we can live; and therefore, we do not feel we should take the Committee's time to discuss them. Such is not the case regarding the peanut program which we know from experience renders a major disservice to peanut processors and U.S. consumers. We support the recommendations of the Secretary of Agriculture and the Department to in effect phase out the current program over a five year period. Our reasons for this recommendation primarily are as follows:

1. Although we do not advocate change just for the sake of change, essentially this same program has been in effect since 1941. Conditions today are entirely different than existed in 1941; and whatever merit there may have been in the program at that time, such is not the case now. Those who had the allotments in 1941 and in years shortly thereafter were the individuals who actually produced the peanuts whereas a very substantial quantity of the production today occurs on rented allotments. Over 40 years ago similar type programs existed for numerous commodities; but as Committee members know, these programs all have been phased out except for peanuts and tobacco. We are not knowledgeable regarding tobacco but we are convinced that the peanut program at this time does not represent a sound governmental policy.

2. The current peanut program benefits no one except the current allotment owners many of which do not produce peanuts themselves on their alloted acreage. It renders a great disservice to those who wish to produce peanuts for the U.S. market, especially young farmers, but who cannot obtain allotments except by buying land which has an allotment or paying a fee to a third person who has an allotment to then grow peanuts on his own land. It renders a great disservice to peanut product processors and consumers. In 1984 it resulted in peanuts produced for the United States market being sold for approximately 28¢ per pound in contrast to the price of additional or export priced peanuts of 18¢ per pound which are of the same kind, grade and quality. Why should the United States government have a policy that penalizes its own citizens who want to buy a wholesome food product and then authorize the sale of that same food product to citizens of every other country in the world at a much lower price?

There is an old saying that one good turn deserves another. In this instance it is our contention that one bad governmental policy causes other bad governmental policies to follow. Because of the allotment program and the mandatory high price support system, there is in effect a virtual embargo on peanut imports to protect the Commodity Credit Corporation from taking huge losses if foreign produced peanuts should be imported at the much lower price and displace the high priced U.S. quota peanuts. Yet because of the decision of the government to limit governmental losses, the allotments are tight and provide adequate supplies only when weather conditions result in a good crop. While we do not seek to import peanuts, if the supply gets tight the price will rise rapidly and it takes us about six months employing specified governmental procedures to get peanut imports authorized. This is not the case concerning practically every other legitimate article of commerce. If a user cannot obtain what he wants domestically, he may import it; so the allotment program causes us a problem in that regard.

Then there is a third unsound and unfair governmental policy which prevents U.S. manufacturers from obtaining the additional or export priced peanuts if the manufactured product is to be shipped to Canada or Mexico. As a practical matter there is little or no market potential in Mexico but there would be a substantial market in Canada. The government sells the export priced peanuts to the Canadian manufacturers with whom our manufacturers compete but they will not allow us to buy the same export priced peanuts for processing in this country to be shipped to Canada. Our manufacturers may, and we believe some of them do, actually purchase the additional peanuts, ship them to Canada as additional or export priced peanuts and then after they arrive in Canada are processed into peanut butter and other peanut products. In this way U.S. manufacturers can compete for the Canadian business although it is awkward to do so and the Canadian consumer benefits by the additional competition. Now I ask you, who loses? There is one and only one big loser, it is U.S. workers. It is hard to believe, but U.S. Department of Agriculture administrative policy on this issue in effect provides that United States additional or export priced peanuts may be processed for sale in Canada for Canadian consumers just as long as American workers are not involved in the processing. Admittedly this practice could be corrected administratively by the Department of Agriculture even under the current allotment program. We have consistently urged the Department of Agriculture to do so and the Department has declined for reasons which in our opinion entirely are unreasonable.

3. It should be the policy of the United States government to treat all citizens alike. Except for the fact that we know it is true, it is hard to believe that in this country the government will say to almost all citizens that they may not produce peanuts for the United States market unless their parents or grandparents produced them in 1941; or they purchased land owned by peanut allotment owners in 1941; or unless on an annual basis they pay tribute in the form of a rental fee to a third party allotment owner each year for the privilege of producing the peanuts on their own land but only in the same county as the allotment owner.

Our experience has been that most folks who have not had knowledge of the peanut program find it hard to believe that such a policy actually exists in the United States. We contend that it should be ended on a phase-out basis within not more than five years to allow a period of adjustment

STATEMENT OF SYD REAGAN ON BEHALF OF THE SOUTHWESTERN PEANUT SHELLERS ASSOCIATION BEFORE THE SUBCOMMITTE ON TOBACCO AND PEANUTS HOUSE OF REPRESENTATIVES
WASHINGTON, D.C., APRIL 2, 1985

I am Syd Reagan, General Counsel for the Southwestern Peanut Shellers Association, and I am speaking on their behalf today.

Our members are located in Texas, Oklahoma, and New Mexico. Our members buy farmers' stock peanuts from growers and dry, store, and shell them, and sell the processed peanuts to manufacturers of peanut products. Our members also act as agents of CCC in carrying out the Peanut Price Support Program.

Our members strongly support the legislative recommendations of the National Peanut Growers Group. The continuation of the Peanut Price Support Program will be beneficial to the consuming public in that it will assure them a reliable and steady supply of peanuts at reasonable prices. The continuation of the program will also be beneficial to peanut growers, shellers, and manufacturers of peanut products in that it will provide stability to the industry. The Program should be continued in such a way that will result in no losses to the government. The growers' proposal should be amended to assure that there will be no losses. Two amendments are needed to deal with two problems that have arisen under the present Program whereby additional peanuts intended for export end up in the domestic edible market at prices below the support price of quota peanuts, and consequently, displace quota peanuts in the domestic edible market. The result is that quota peanuts are forced under loan and are diverted to export or crushing at losses to the government. The new legislation must avoid these abuses and losses.

The first problem arises from a loophole in the legislation and a practice that began with the 1984 crop and that will become much more of a problem with the 1985 crop. The problem arises when a grower who has contracted to deliver his additional peanuts to a sheller at a specific price agrees later to cancel the contract, receives a payment from the sheller for doing so, then places his additional peanuts under loan through the sheller and receives the amount of the non-recourse loan, and finally assigns his proceeds from the distribution of profits from the additional type pool to the sheller.

THE SHELLER, WITHIN 72 HOURS BUYS BACK FROM CCC THESE ADDITIONAL PEANUTS THAT WERE PLACED UNDER LOAN AND USES THEM IN THE DOMESTIC EDIBLE MARKET. WHEN THE DISTRIBUTION IS MADE AT THE END OF THE YEAR FROM THE ADDITIONAL TYPE POOL, THE SHELLER RECEIVES THE DISTRIBUTION. THERE ARE VARIATIONS AS TO HOW THE PROCEEDS FROM THE ADDITIONAL POOL WILL BE DISTRIBUTED, AND SOMETIMES THE GROWER PARTICIPATES - IT DEPENDS ON THE AGREEMENT BETWEEN THE GROWER AND THE SHELLER. THE END RESULT IS THAT THE GROWER RECEIVES AS MUCH OR MORE FOR HIS ADDITIONAL PEANUTS AS HE WOULD HAVE UNDER THE CONTRACT, THE SHELLER IS ABLE TO END UP PAYING LESS THAN QUOTA SUPPORT FOR THEM, AND QUOTA PEANUTS ARE DISPLACED IN THE DOMESTIC EDIBLE MARKET AT A LOSS TO THE GOVERNMENT.

ATTACHED AS EXHIBIT A IS STEP BY STEP EXAMPLES OF HOW THIS SCHEME WORKS.

THE DEPARTMENT OF AGRICULTURE HAS REFUSED TO DO ANYTHING ADMINISTRATIVELY ABOUT THIS PRACTICE. THE ONLY WAY TO DEAL WITH IT IS THROUGH LEGISLATION. THE AMOUNT OF THE DISTRIBUTION FROM ADDITIONAL POOLS MUST BE MADE SUFFICIENTLY UNCERTAIN THAT SHELLERS WILL NO LONGER ENGAGE IN THIS PRACTICE. THE BEST WAY TO ACHIEVE THIS IS TO ELIMINATE THE ADDITIONAL TYPE POOLS AND SIMPLY HAVE AN AREA ADDITIONAL POOL. NEW MEXICO VALENCIAS SHOULD BE EXCLUDED BECAUSE THEY REPRESENT A UNIQUE TYPE OF PEANUT AND ACCOUNT FOR SUBSTANTIALLY LESS THAN ONE PERCENT OF THE NATIONAL PRODUCTION OF PEANUTS.

PRESENT LEGISLATION SHOULD BE AMENDED BY STRIKING THE WORD "TYPE" IN CONNECTION WITH ADDITIONAL POOLS AND BY ADDING THE NEW MEXICO VALENCIA EXCLUSION.

IN ADDITION, ANOTHER PROBLEM IN CONNECTION WITH ADDITIONAL PEANUTS ARISES FROM THE LOWER QUALITY SHELLED ADDITIONAL PEANUTS LEGALLY REQUIRED TO BE EXPORTED BEING DIVERTED INTO THE DOMESTIC EDIBLE MARKET AND HIGHER QUALITY QUOTA PEANUTS SUBSTITUTED FOR THEM IN EXPORT. THIS OCCURS BECAUSE THE PRICE OF LOWER QUALITY SHELLED PEANUTS IS VERY WEAK IN FOREIGN MARKETS COMPARED WITH THE PRICE OF HIGHER QUALITY SHELLED PEANUTS. THE MARKET FOR LOWER QUALITY SHELLED PEANUTS IS STRONGER IN THE DOMESTIC EDIBLE MARKET.

THIS ILLEGAL SUBSTITUTION HAS A VERY SERIOUS ADVERSE EFFECT ON THE DOMESTIC EDIBLE MARKET FOR QUOTE PEANUTS PRODUCED IN THE SOUTHWEST AREA. BECAUSE OF THE GREATER HUMIDITY IN THE SOUTHEAST AREA COMPARED WITH THE MUCH DRYER CONDITIONS IN THE SOUTHWEST AREA, FARMERS' STOCK PEANUTS DRY OUT MORE WHILE IN STORAGE IN THE SOUTHWEST. WHEN THE PEANUTS ARE SHELLED IN THE SOUTHWEST, MANY MORE OF THEM SPLIT THAN IN THE SOUTHEAST. CONSEQUENTLY, THE DOMESTIC SPLIT MARKET IS MUCH MORE IMPORTANT TO THE SOUTHWEST THAN TO THE SOUTHEAST.

The substantial quantities of splits from additional peanuts and sometimes from No. 1 shelled peanuts, all of which are lower quality, are diverted into the domestic edible market. This has a very depressing effect in the domestic market. The result is that Southwest shellers are able to buy fewer quota peanuts and consequently, more quota peanuts go under loan and result in losses to the government.

This problem was recognized by the government several years ago, and to prevent it the government established required supervision of the shelling and export of additional peanuts. This is effective in dealing with the problem discussed above but such supervision is expensive for the shellers and disruptive of shelling operations.

Our members favor an effective alternative to supervision that the sheller can choose. We recommend tha the new legislation provide that as an alternative to supervision of the shelling of additional peanuts, the sheller can agree to export the same proportion of each grade and size based on the shelling experience with additional peanuts at that shelling plant under supervision with 1983 and 1984 crop peanuts.

Unless an effective alternative to supervision can be incorporated into the legislation, then our members favor mandatory supervision.

Our members urge that Congress deal with these two problems and prevent losses to the government from occurring under the new legislation.

I will be happy to respond to questions.

Thank you.

(Attachment follows:)

EXHIBIT A

EXAMPLE OF HOW ADDITIONAL PEANUTS ARE GETTING INTO THE DOMESTIC EDIBLE MARKET AT LESS THAN SUPPORT OF QUOTA PEANUTS

1. Sheller and Grower, before harvest, enter into a contract for Sheller to purchase additional peanuts from Grower at $350 a ton; such peanuts are to be exported.

2. Later, Sheller and Grower agree to terminate the contract to buy additional peanuts for export and agree to the steps below.

3. Grower puts additional peanuts under loan with CCC through the Sheller. Grower receives the loan advance from CCC of $185 per ton.

4. Sheller pays Grower $~~250~~ 215 per ton and Grower assigns proceeds of pool distribution to Sheller. At this point, Grower will have received $185 plus $215 equal to $400 per ton, which is $50 more than he was to receive under the contract.

5. Within 72 hours of "3" Sheller buys the peanuts from CCC for $550 plus $25 or $575. This is quota support plus handling. At this point, the Sheller has in the peanuts $215 plus $575 equal to $790.

6. When the distribution of the pool for additional peanuts takes place, the Sheller receives $300. At this point, the Sheller has been able to acquire the additional peanuts and put them into the domestic edible market for $790 less $300 for a net of $490 per ton, which is $60 under quota support.

The result is that additional peanuts have been put into the domestic edible market at less than quota support and have forced a like quantity of quota peanuts under loan, which will be diverted to crushing or export at a loss to CCC.

This practice also shifts domestic edible markets from the Southwest area to the Southeast area; and consequently, increases losses to CCC in the Southwest area.

The practice became common in 1984. Approximately 300,000 tons of additional peanuts in the Southeast area and 75,000 tons in the Southwest area were involved. It is anticipated that much larger quantities will be involved in 1985 at substantial losses to CCC.

The Department of Agriculture has refused to prohibit this practice.

TESTIMONY FOR

A.L. PHILLIPS, JR.

PRESIDENT

AMERICAN AGRICULTURE MOVEMENT OF VIRGINIA

Mr. Chairman, and committee members it is a privilege to be able to be here and to help in directing the destiny of our great country. Agriculture with its tremendous productivity is the answer, and with peanuts ranked as the ninth largest cash crop valued at one billion dollars, we consider the peanut program vital to both producers and consumers best interest.

I am A.L. Phillips, Jr. of Yale, Virginia. I raise raise peanuts, corn, soybeans, wheat and cattle. At present, I am President of the American Agriculture Movement of Virginia, Vice-President of American Agriculture Movement Political Action Committee (AAM/PAC) and serve on the Board of the Virginia Farm Bureau.

The peanut program we have is the best of two worlds for it contains a market orientated approach coupled with supply management. It serves a most vital service by providing the necessary quantity and quality to consumers while rendering the proper support to the producer.

The cost is minimal to say the least. The actual cost per pound for the 1.4 million tons produced divided by the 3 million dollars the program costs is practically a no cost program.

The real proof of performance is that the peanut program has a 47 year track record and a farmer referendum keeps it in place.

Today, the United States produces 10% of the world production and commands 30% of the world export market. This is a living viable example of the supply and demand theory.

As of now, there are 500 - 600 thousand tons of peanuts in carryover. To discard the program and lower the price would be disasterous.

With farmers having fixed costs, increased production expenses and no support reflecting the cost of production is when supply and subsidies become a problem. Why increase ~~the expense~~ of this cost effective program? Why dismantle a most workable cost effective program?

Action and legislation are needed so that all commodities can operate on this type of program. There is no other way.

When there is a surplus of any given commodity it not only creates a burden for the consumer, it dictates the price the producer receives. To this point, the peanut program has provided a workable base while protecting the best interest of both the consumer and the producer.

Mr. Chairman and committee members, I am more than willing to compete with my fifty cent per day foreign farmer counter-parts excluding the human rights violations, as proposed by the administration in free markets and more exports at lower prices. However the key to my participation of this orderly transition will be nickel-per-gallon fuel, $5 per ton fertilizer, $500 pickups and $5,000 tractors.

To accomplish this may be an effort in futility because so far no other business supplying agriculture wants to operate as the farmer does.

The administrations proposals would mandate the destruction of the productive sector and drastically reduce the standard of living as we know it.

Is it worth it or even necessary when so many have given their all for America.

Thank you for this opportunity to speak before your committee. I will be glad to answer any questions you may have.

Virginia-Carolina Peanut Association
INCORPORATED
SUFFOLK, VIRGINIA

W. RANDOLPH CARTER
EXECUTIVE SECRETARY
LOCK DRAWER 499

STATEMENT BY
W. RANDOLPH CARTER
EXECUTIVE SECRETARY
VIRGINIA-CAROLINA PEANUT ASSOCIATION
BEFORE THE
SUBCOMMITTEE ON TOBACCO AND PEANUTS
HOUSE COMMITTEE ON AGRICULTURE
APRIL 2, 1985

Mr. Chairman and Committee members, I am pleased to meet with you today to discuss the peanut section of the 1985 farm bill.

The members of our association buy, clean, shell and process substantially all of the peanuts produced in the states of North Carolina and Virginia. We have a deep concern for the provisions that will be contained in the 1985 farm bill.

Our association has traditionally supported the peanut producers in both North Carolina and Virginia concerning legislation that could or would affect our industry. The peanut bills passed in 1977 and 1981 have served a very worthwhile function to consumers, tax payers, manufacturers, shellers and producers. This legislation and particularly the 1981 farm bill have functioned very well and hopefully can be maintained with minor adjustments. We make the following recommendations to you that should be retained or modified in the 1981 bill:

1. Legislate a peanut program that will provide stability for the industry, producer through consumer. The 1981 bill

has basically achieved this purpose.

2. The legislation should assure an adequate supply of peanuts at reasonable prices.

3. The legislation should provide little or no cost to the government.

4. The "immediate buy-back" provision of the present legislation should be retained. This provision has allowed additional peanuts produced by any grower to freely enter marketing channels. Shellers have been able to count on these supplies for both the domestic and export markets.

5. The present legislation provides for area type pools. Frankly, we believe and recommend that the legislation to be passed this year should provide only area pools. We feel removing the "type" from the present legislation will greatly lessen any financial exposure of the federal government to losses. This slight change will prohibit additional peanuts from entering the domestic market at prices less than those charged for quota peanuts. This will prevent quota peanuts from being placed under loan and crushed at substantial cost to CCC, i.e., the tax payers.

6. With regard to the date of contracting additional peanuts we feel that any date set by you should be a date in advance of the movement of the peanuts from the producer to the sheller.

The above recommendations we feel would serve the entire peanut industry fairly and equally. It would give no production area an advantage.

Your favorable consideration of our recommendations is earnestly solicited.

State of North Carolina
Department of Agriculture
Raleigh

April 1, 1985

Congressman Charlie Rose, Chairman
Subcommittee on Tobacco and Peanut
Committee on Agriculture
U. S. House of Representatives
2230 Rayburn House Office Building
Washington, DC 20515

Dear Charlie:

I regret that previous commitments prevent me from attending the hearing of the Tobacco and Peanut Subcommittee on April 2, 1985. Our General Assembly is currently working on the budget for the Department of Agriculture and I feel that I should remain in Raleigh until their task is completed.

In May of 1984, I appeared before your Subcommittee at its field hearing in Ahoskie, North Carolina and presented testimony in support of a continuation of the current program. Today, I stand by my comments at that session and would emphasize the need to continue the supply management and price support program for peanuts. The current program is working well and our growers are benefiting from the two-tier price support system. This system is working for both quota and non-quota growers and should be continued.

In closing, I would like to say that I fully support the position of the North Carolina Peanut Growers Association as presented by its Executive Director at the hearing on April 2nd.

With kind regards.

Cordially,

Jim Graham

James A. Graham
Commissioner

JAG/RF/tk

NATIONAL
FARMERS
UNION

April 3, 1985

The Honorable Charles Rose
Chairman
Subcommittee on Tobacco and Peanuts
Committee on Agriculture
U.S. House of Representatives
Room 1336
Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

Although the National Farmers Union presented a comprehensive statement to the full Committee on Agriculture on March 20, 1985, regarding our organization's recommendations for the 1985 food and farm bill which the Congress must enact this year, I would like to take this opportunity to highlight our concerns dealing with the peanut title of the bill.

Mr. Chairman, regarding the peanut provisions of the upcoming legislation, the delegates to the most recent annual convention of the National Farmers Union held March 3-6 in Phoenix, Arizona, all individual family farmers and ranchers, adopted the following policy statement:

Peanuts

Since 1936, the peanut program has operated successfully for producers, as well as providing stable supplies for consumers at fair prices. A continuation of both the quota support price system and supply control is mandatory for the peanut program's continued success. We recommend:

(1) The 1985 national quota price support level be set at $750/ton with no price differentials for types of peanuts.

(2) The minimum quota poundage for 1985 should be established at 1,600,000 tons. We recommend for the 1985 farm bill that the minimum quota poundage for 1986 be established at 1,600,000 tons. For subsequent years, estimated domestic consumption plus a 10 percent carryover be established as the quota poundage.

(3) The support rate on "additional" peanuts should be a rate estimated to result in no program losses to CCC.

(4) Maintain area grower associations.

(5) Carryover provisions should be for more than one year. The contract date for contracting additional peanuts

should be before planting season begins. Provisions should be made for adjusting the farm yield base poundage for changes in cultural practices. Land cost should be included as a cost of production.

On behalf of the National Farmers Union, I would respectfully request that this letter outlining our position be made a part of the official record of your Committee's hearing.

Thank you for your consideration.

Sincerely,

Robert J. Mullins
Director
Legislative Services

cc: Members of the Subcommittee on Tobacco and Peanuts

STATEMENT OF THE NORTH CAROLINA FARM BUREAU FEDERATION
PEANUT AND TOBACCO SUBCOMMITTEE
U. S. HOUSE COMMITTEE ON AGRICULTURE

April 2, 1985

Mr. Chairman and members of the Subcommittee, the North Carolina Farm Bureau appreciates the efforts of this Subcommittee to construct a peanut title for the 1985 Farm Bill. We also appreciate the opportunities this Subcommittee has provided for the various segments of the peanut industry to have input into the development of a peanut program for 1986-89 crops.

If we might use a phrase frequently used by Chairman Rose, "If it ain't broke, don't fix it". The peanut program is not broken; it has worked quite well and has achieved the objectives of:

a) providing an adequate supply of high quality peanuts and products at reasonable prices;

b) providing predictability and stability for most peanut farmers;

c) reducing the cost of the peanut program to the federal treasury.

Had it been "broke", the peanut program could not have achieved these objectives. The modifications which were made to the program via the 1977 and 1981 farm bills overcame two (2) major criticisms of the peanut program. They were:

-- The cost of the program to the federal treasury; and
-- The denial of new grower entry into peanut production.

Some opponents of the peanut program are now suggesting that the program must be changed to conform with other programs operated by USDA; or that the peanut program is adding 12 to 15 cents to the consumer price of peanut butter. To those suggestions, we say "hogwash".

The suggestion that the peanut program should conform to the wheat, or feed grains, or cotton programs fails to recognize that peanuts cannot be stored on the farm where produced for extended periods of time as is possible for some other commodities. Peanut quality and usability will deteriorate quite rapidly during the heat of early summer if not placed in cold storage.

The program proposed by the Administration simply will not work for peanut farmers, the industry or the consumer. That proposal is not a "fix-it" approach; it is a blueprint of disaster for the peanut industry. Without reservation, Mr. Chairman, the North Carolina Farm Bureau opposes the Administration's peanut program proposal for the 1985 farm bill.

On the issue of the price impact on a jar of peanut butter, I suggest that we only need to look back at the experience of the drought-shortened crop of 1980. Yes, peanut prices did increase substantially after most of the crop had moved out of the hands of farmers. However, the price support program did not cause that run-up in price. It was the short supply situation. However, with the increase in the import quota, which peanut farmers supported, the price for raw peanuts went back down to more normal levels.

Peanut butter prices increased sharply as a result of the 1980 crop short-fall but when the supply became more favorable, the consumer prices did not return to more normal levels. We believe this Subcommittee should attempt to obtain comparative prices of farmers stock peanuts, the prices of raw shelled peanuts, and the prices of peanut butter for the period 1977-1984 for comparative purposes. It might provide an indicator of what influences the consumer prices of peanut butter the most.

We continue our support for a supply-management peanut program and recommend that the basic provisions of the 1981 peanut program for crop years 1986 through 1989 with some minor modifications. Those modifications are:

National Poundage Quota: We recommend that the national poundage quota be established annually on the basis of domestic utilization, including seed, using either the domestic usage for the preceding crop year or an average of the two preceding crop years.

Farm Poundage Quota: We recommend that the annual farm poundage quota be established for each farm having a peanut quota in 1985 by applying a factor (percentage) which reflects the change in the national poundage quota. If the national poundage quota is increased, increase the farm poundage quota. If the national quota is decreased, decrease the farm quota.

Price Support Level: Our policy states, "We recommend that the quota loan be increased to reflect the index of prices paid by farmers during the three preceding years". We believe the prices paid index to be reflective of the costs borne by farmers in producing, harvesting and curing peanuts. If the cost of production provision is continued in peanut title, we recommend the inclusion of land costs as an expense item, and consideration of cost of production data developed by Land Grant Universities. Mr. Chairman, you will recall that USDA changed its formula for calculating cost of production midway through the 1981 farm bill. The 1985 farm bill should be specific with regard as to how the quota peanut price support level will be determined rather than risking a recurrence of similar manipulation in the future.

Area and Type Pools: We urge the continuation of the area, type and segregation pools as provided in the 1982-85 program rather than the establishment of a national pool.

"Buyback Provision": We support the continuation of the buyback of "additional" peanuts as authorized in the 1981 farm bill. The buyback provision permits a responsiveness to market demand when conditions warrant and increases the potential for the "additional" pool to show a profit.

Quota Undermarketings: We urge that the provision for carry-forward of undermarketings of quota peanuts be continued. Such carry-forward for 1986 should be inclusive of the 1985 crop accumulated undermarketings of quota peanuts.

Sales, Lease and Transfer: We urge continuation of the language of Section 703 of the Food and Agriculture Act of 1981 with regard to the sale or lease of peanut poundage quota within the same county.

Mr. Chairman, peanut producers have attempted to make the program work to the advantage of growers, shellers, manufacturers, exporters and consumers. When Mother Nature has permitted, they have produced an adequate supply of high quality peanuts which have become recognized around the world.

The present program is working. We strongly urge that it be continued with the modifications suggested. These modifications are reasonable and fair and will permit the peanut program to continue to work for the benefit of all.

We thank you for holding this hearing and permitting us to share our suggestions for a peanut program for 1986-89.

MITCHELL COUNTY FARM BUREAU

44 S. SCOTT ST CAMILLA, GEORGIA 31730 PHONE 336-8150

March 28, 1985

U.S. House of Representatives
Committee on Agriculture
Subcommittee on Tobacco and Peanuts

Ladies and Gentlemen:

I am C.M. Stripling of Mitchell County, Georgia and have farmed for forty-five years and have planted peanuts all of this time. At the present time I am president of the Mitchell County Farm Bureau.

On my farm, peanuts have provided the major part of my farm income for all the years that I have farmed and have given the where with all to raise a family and to plant other crops and have livestock enterprises that have helped feed this country but have been a more or less break even or a loss so far as income is concerned. This is also true of some ninety per cent of the farmers in Mitchell County and Southwest Georgia. I think that I can safely say that without the stability of a profitable peanut program in this section of the country a majority of our farmers would go out of business and land prices would go down even more than they already have. Without doubt this land would be brought up by large corporations and converted to other uses.

The present peanut program is working well and probably should be used as an example for other commodity programs. As you know, it provides a profitable price for domestically consumed peanuts and the additional peanut price is governed by world prices.

There seems to be a feeling in the present administration that although the peanut program is negligilbe in its cost to the government, they are philosophically opposed to this kind of program. I would like for them to explain just how many people are fed and how many people are employed by philosphy. Philosophy as we all know can lead to voo-doo economics.

In Mitchell County last year, peanuts brought in some twenty-million dollars and in Georgia it brought in the most income of any crop. Even with this, we have farmers going out of business every day and the outlook for this year is even more somber.

I would say to you in all sincerety, if it is not broken, don't try to fix it----use the peanut program as an example for other commodities so that we can get agriculture on a sound basis one more time.

I am enclosing a copy of a letter that I sent to Secretary Block expressing an idea whose time has come .

Thank you,

C.M. Stripling,
President

CMS/cb

Enclosure

MITCHELL COUNTY FARM BUREAU

44 S. SCOTT ST. CAMILLA, GEORGIA 31730 PHONE 336-8150

January 29, 1985

John R. Block
Secretary of Agriculture
U.S. Department of Agriculture
Washington, D.C.

Dear Secretary Block:

Everytime one picks up a paper or farm magazine, there is an article about the new farm bill that is to be written and just what the administration wants or does not want. We both realize, of course, that Congress will be the final determinate of this.

I am sure that by now you and all farm leaders realize that the PIK program was, in fact, a disaster. The ten or more billion dollars that was spent on this program was about the same as pouring money down a rathole.

This kind of money could have been used to retire some ten to fifteen million acres of cropland, both marginal and fertile and today farmers would be receiving better prices for their commodities.

For any farm program to be successful, its cornerstone must be a paid land retirement program. Some twenty-five to thirty million acres of land must be taken out of production so that farmers who wish to produce can get a fair price for their products and those that don't can retire their land for a fair price and let this land rest for future generations when it may be needed.

Everyone is aware that a free market and full production of all commodities is nothing more than a ticket to bankruptcy for the farm sector.

There is no way that farmers can produce at todays prices, it is the road to ruin. The only entity that can operate at a loss is the U,S. GOvernment and that is because it runs the printing press.

It is my sincere hope that this Administration will sponsor a farm bill that farmers can accept with the hope that they can support their family and pay off their debts.

Sincerely,

C.M. Stripling,
President

CMS/cb

cc: Bob Nash, President Georgia Farm Bureau
Agriculture Committee of the House of Representatives
Agriculture Committee of the Senate
Agriculture Committee of the State of Georgia

STATEMENT OF HON. WES WATKINS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OKLAHOMA

Mr. Chairman, Thank you for this opportunity to appear before the Sub-committee on Tobacco and Peanuts to express the views of the peanut farmers in my district. Peanuts is one of the top cash crops if not the top cash crop in Oklahoma's Third Congressional District. My district encompasses Bryan County which is the second largest peanut producing county in the state. The fate of the peanut program is of vital interest to producers in my district.

The majority of the peanut producers in my district support the current program. My producers feel that the current peanut program is structured under a very successful two-price system. This program provides the American consumer with an abundant supply of the highest quality peanuts in the world at stable and reasonable prices.

The current program has also allowed the United States to regain its position as the number one exporter amoung the edible peanut exporting nations of the world.

At the same time, the cost of the peanut program has been reduced over 90% since 1977 to a level of only $4.2 million in 1982. In contrast, some analysts indicate that the Administration's proposed new peanut program would cost over $75 million in its first year.

The peanut program has been successful because production controls have allowed a planned balance between supply and demand of "quota" peanuts that keeps the cost of the program at minimal levels while allowing "additional" peanuts to move into the export market at world market levels in an orderly fashion.

Any effort to dismantle the supply management program can only result in severe fluctuations of both the price and supply of peanuts which, in the long run, will cost consumers and farmers alike.

Having been a peanut farmer in southeastern Oklahoma, I can see the outcome if the administration's bill is implemented. We're headed for disaster if this happens. We will be opening the door to foreign competition. In looking at trade deficits during the past few days, weeks and months, we don't need that to happen to our producers or the consumers.

If Congress, does away with the peanut segment of the Farm Bill and with import controls on peanuts, You will see manufacturers importing all of their peanut supplies from Red China and Argentina.

This would result in a poor quality product for the American consumer. As you may or may not know, the peanut producers and peanut shellers have built in a quality control system second to no other country in the world producing peanuts.

Peanut producers receive on the average 27.5 cents per pound for farmer stock peanuts. The manufacturer sells this pound of peanuts to the consumer for about $1.35 per pound in the form of peanut butter. And, like most manufacturers this group is constantly looking for a cheaper priced peanut in order to have a larger profit. Peanut producers in the Third District see the administration's proposal as a bill for manufacturers.

The people who buy Oklahoma peanuts and turn them into peanut butter and candy would like everyone to believe that farmers are taking advantage of the government and the consumer and are, in turn, getting taken advantage of themselves by not being able to raise all the peanuts they want. The American Peanut Product Manufacturer, Inc. (APPMI) says that farmers can raise peanuts for 15 cents/lb. USDA Publication EDIFS 3-1 concerning production costs shows the minimum break-even price of producing peanuts in 1983 as 18.2 cents/lb, excluding land and replacement costs. With those factors added, the cost of production is 22 cents/lb. These are the USDA's own figures and yet they want to phase out peanut price supports over the next few years. A local peanut sheller has related that if peanut price supports are eliminated we will sell peanuts for less than 15 cents/lb. The best agriculture economists can't make those figures work out a profit for the farmer.

The proposal before us is a blueprint for disaster. It would also end the U.S. role in exporting the highest quality peanut on the market today further reducing our balance of trade and eliminate some 300,000 jobs, all paying Federal Income Tax.

You might say it couldn't happen. Well, it already has been happening. Cargill tried to import wheat from Argentina only a few months ago when they discovered they could import the product at a much cheaper price. If this portion of the bill is implemented as proposed, more jobs of Americans will be exported.

Specifically, my message today is that the Oklahoma Peanut Growers Association, the Oklahoma Peanut Commission and the producers in my district believe the current peanut program should remain the same with some slight modifications and fine tuning that would make the peanut program compatible with domestic policy. The quota base should be continued, but should be increased as needed to keep up with domestic consumption.

My question is today, why tamper with a program that works well, costs little, and helps so many farmers?

I would like to end with an interesting piece of information that was published recently in The Rotarian:

"He drove his GERMAN car made of SWEDISH steel and interior of ARGENTINE leather to a gasoline station where he filled up with ARAB oil shipped in a LIBERIAN tanker and bought two FRENCH tires, composed of rubber from SRI LANKA.

At home, he dropped his MOROCCAN briefcase, hung up his SCOTTISH tweed wool coat, removed his ITALIAN shoes and EGYPTIAN cotton shirt, then donned a HONG KONG robe and matching slippers from TAIWAN.

More comfortable now, he poured a cup of hot BRAZILIAN coffee into an ENGLISH coffee mug, set a MEXICAN placemat on an IRISH linen tablecloth atop a DANISH table varnished with linseed oil from INDIA. Then he filled his AUSTRALIAN pipe with TURKISH tobacco, lit it, and picked up a JAPANESE ballpoint pen with which he wrote a letter to his Congressman demanding to know why the UNITED STATES has an unfavorable balance of trade...."

When will peanut butter and peanut products be added to the list? If the Peanut Title of the administration's bill is implemented, that's what will happen. No longer are we talking about a program that only affects producers. The consumer has as big a stake in the peanut program as the producer from this perspective.

If we want to export our peanut acreage overseas, then let's pass the adminstration's proposal. We might as well put our peanut acreage there, we have already exported 11 percent of our grain acreage.

In the task you have to write a peanut entitlement program, let's get a program that will give our producers a profit and keep foreign produced peanuts from contributing to the economic demise of this country.

Mr. Chairman, Thank you for letting me have this opportunity in this forum to express our point of view from the peanut farmers in southeastern Oklahoma.

SOUTHEASTERN PEANUT ASSOCIATION
404-A FLORENCE DRIVE
PHONE 888-2508 P.O. BOX 1746
ALBANY, GEORGIA
31702

March 28, 1985

Honorable Charles Rose,
Chairman, Sub-Committee on
Tobacco and Peanuts
House Agriculture Committee
United States House of Representatives
Washington, D. C. 20515

Subject: Position of SOUTHEASTERN PEANUT ASSOCIATION on Peanut Legislation

Dear Congressman Rose:

I am general counsel for the SOUTHEASTERN PEANUT ASSOCIATION, and have been requested by the ASSOCIATION to present to your Sub-Committee the position of the ASSOCIATION in connection with the Peanut Section of the Farm Bill.

The SOUTHEASTERN PEANUT ASSOCIATION was formed in 1919 and is an Association composed of all the Commercial Peanut Shellers and Crushers who have operations located in the States of Georgia, Florida and Alabama. It is the oldest existing organized group in the American Peanut Industry.

We appreciate the opportunity of participating in the hearings conducted by the Sub-Committee.

Traditionally, the Association has supported the peanut growers in connection with legislation affecting the peanut industry. Our virtual existence depends upon those men and women who grow the high quality American peanuts. Without them there would be no reason for our business. We continue to support the American peanut grower with respect to the basics of peanut legislation.

Over the years peanut legislation has included some provisions which relate to the handling of peanuts after they are produced and sold by the grower. It is with respect to those provisions of any legislation that we direct our particular attention. With regard to those areas, we have been, and are continuing to conduct an ongoing dialogue with peanut growers throughout the United States in an effort to reach a consensus as well as our shelling and crushing counterparts in the Virginia- Carolina area, and the Southwest area. It is our desire to work together with growers and other shellers so that legislation may be enacted that provides for a healthy domestic peanut industry as well as continuing the United States as a dynamic force in the international export market. The Association's position can be summarized as follows:

1. We recognize that it is desirable that the United States have some type of peanut program that provides stability for the industry and that a two-priced system is probably the most practical and feasable under the circumstances that exist today.

2. We support legislation providing for a price support system that will have the effect of assuring an adequate supply for the peanut market at acceptable income levels for American producers accompanied by minimal or no cost to the American taxpayer.

3. We believe that a loophole exists in the present legislation as it relates to "buy-backs" which, if left open in new legislation, has the potential to cost the American taxpayer between 50 and 150 million dollars annually. In order to close this loophole, it is our position that future legislation should not include a buy-back provision. While it is true that the buy-back provision provides an avenue to move "additional" peanuts into the domestic edible trade, there are other avenues available to accomplish that same goal without the potential for huge costs to the government. The redemption features of the present legislation are entirely adequate to move

additional peanuts into the domestic market if that need exists.

4. Since the creation of the legal category of "additional" peanuts, and the two-price system, physical supervision has been required in order to assure that additional peanuts were not improperly introduced into a domestic market. While all parties interested in the peanut industry recognize the legitimate requirement that additional peanuts be prevented from entering the domestic market, the present physical supervision procedures are unnecessarily burdensome and costly to peanut handlers and, therefore, ultimately, to peanut consumers, and consequently to the entire peanut industry. It has been reliably estimated that the present physical supervision adds a minimum of Twenty Dollars ($20.00) per ton to the cost of peanuts. We propose legislation which would virtually eliminate this wasteful cost as well as reducing the amount of paper work by a substantial degree. Since we have proposed specific legislative language on the supervision matter, I have taken the liberty of attaching a copy of that language to this position paper as Exhibit "A".

5. Under the present legislation, Handlers of additional peanuts are required to either export or crush such peanuts. If additional peanuts are exported and later re-enter the United States, there is the potential under the present legislation for assessment of a substantial penalty and/or substantial liquidated damages against the Handler having the export responsibility. After exporting, that Handler has virtually no control over the movement of the peanuts. Therefore, it is our position that any penalty and/or liquidated damages assessed by the Department of Agriculture should be assessed against the person importing those peanuts into the United States and not against the responsible exporting Handler.

6. Under the present legislation, the final date for contracting additional peanuts between Producers and Handlers is prior to April 15. It is our view that such an arbitrary requirement eliminates the natural market and forces all parties to create an artificial market at a time irrelevant to the actual marketing of peanuts. We favor legislation that would set the final date for contracting at the time of delivery, during harvest or, as a second alternative,

no earlier than August 15 of the year of production.

7. We believe that any legislation should give the Secretary of Agriculture the authority to increase Quota production for a particular crop by 5% to 10% if the Secretary should determine that such increase was necessary to meet anticipated demand.

8. We would strongly oppose any legislation that had the effect of forcing peanuts into the Commodity Credit Corporation Loan Program.

9. We would also strongly oppose the establishment of a minimum contract price for additional peanuts.

While we recognize that some differences of opinion exist in connection with the matters described above, please be assured that we have every intention of continuing to work with all interested parties in an effort to reach a consensus.

Again, our sincere thanks for allowing us to participate in your hearings.

Very truly yours,

Evans J Plowden Jr.

EVANS J. PLOWDEN, JR.,
Attorney for SOUTHEASTERN
PEANUT ASSOCIATION